

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,730

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D 8523 B

U.S.: red faces
over loans to
Pretoria, Page 17

World news

Business summary

Expansion costs problem for EEC

The battle to bring the EEC budget under control has been hit by costs involved with the forthcoming entry of Spain and Portugal and financial commitments to social and regional spending.

EEC budget ministers were trying to reconcile the ceiling set at ECU 20.7bn (€22.7bn) by their own colleagues and the European Commission's preliminary draft budget for 1986 of some ECU 35bn.

They were faced with an early demand by Spain and Portugal that their contributions in their first year of membership should be neutral. Page 2

Lebanon warning

Prime Minister Rashid Karami warned Lebanon that he might resign if nothing was done to halt the recurrent violence.

Helicopter shot down

Afghan rebels said they shot down near the Pakistani border a helicopter gunship carrying an Afghan major general and a brigadier and a Soviet officer believed to have been a general.

Thai arrest

Former Thai Premier Kriangsak Chamanan was arrested on charges of involvement in the recent military coup attempt. Page 4

MEP jailed

Italian TV presenter Enzo Tortora, who was elected to the European Parliament last year, was sentenced to 18 years jail on charges of collaborating with the Mafia in Naples and dealing in drugs. Page 2

Rome cafe blast

Italian police charged a Lebanese-born Palestinian with attempted murder after a grenade attack on a fashionable cafe in Rome which injured 38 people.

Bhopal 'impact'

The proportion of stillbirths and deformed babies in the central Indian city of Bhopal has risen since a poison gas leak last December killed at least 2,500 people, a senior Indian official said.

Airport strike

France's main airports, Charles de Gaulle and Orly, are expected to be at a standstill today and tomorrow because of a strike by air traffic controllers.

Portuguese blaze

About 2,000 people were evacuated from their homes and 100 treated for the effects of smoke after a forest fire threatened the village of Amante in northern Portugal.

Poison in sweets

Traces of the toxic chemical diethylene glycol, the illegal sweetener used in the Austrian wine scandal, have been found in Gummibärchen - jelly bears - a West German children's sweet.

Spy wins prize

Norwegian spy Arne Treholt jailed for 20 years in Oslo for supplying secrets to Moscow won a literary award for an account of his espionage work.

Canal study

Japan will sign an agreement with the U.S. and Panama next week under which they will study the feasibility of cutting a second canal through Panama.

Designer dies

Laura Ashley, the Welsh textile designer, died aged 60 in hospital as a result of injuries received in a fall. Page 11

Control Data cancels issues

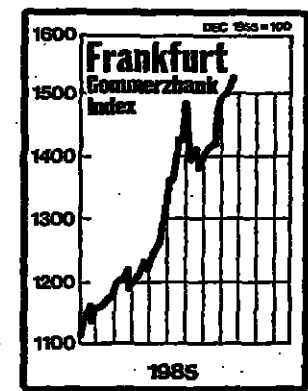
CONTROL DATA, ailing U.S. computer group, cancelled plans to raise \$300m through 10-year note and preferred stock offerings. It said that its peripheral equipment business was not improving as it had previously expected.

FRANCE balanced its trade account last month with a small seasonally adjusted surplus of FF4.5m (\$68.1m) after a FF3.5bn deficit in July. The cumulative deficit for the first eight months is now FF18.2bn.

WALL STREET: The Dow Jones industrial average closed down 10.98 at 1,296.18. Page 40

LONDON equities lacked sparkle and drifted lower. The FT Ordinary share index ended off 5 at 1,002.7. Gills were becalmed. Page 40

TOKYO bond and stock prices rose. The Nikkei-Dow market average added 5.81 to 12,581.51. Page 40



FRANKFURT equities advanced to record levels as investors remained bullish about the outlook for corporates. The Commerzbank index reached its fourth peak this month with a 20.8 rise to 1,534.0. Page 40

DOLLAR was up in London to close at DM 2.882 (DM 2.884). It also rose to FF 8.11 (FF 8.107), fell to SwFr 2.36 (SwFr 2.363) and was higher at Y46.85 (Y46.83). On Bank of England figures, the exchange rate index fell to 140.0 from 140.8. Page 33

STERLING fell 35 points against the dollar in London to close at \$1.935. It also fell to SwFr 2.1675 (SwFr 2.169) and Y322.75 (Y324.0). It was unchanged at FF 11.80, but rose to DM 3.675 (DM 3.672). The pound's exchange rates index rose to 81.1 from 80.8. Page 33

GOLD fell \$2 in the London bullion market to close at \$316.8. It also fell in Zurich to \$317.45 (\$318.55). Page 32

POLAND faces problems in servicing its debts on schedule because its hard-currency surplus has failed to meet targets. Page 3.

BRITAIN'S Labour opposition would put an extra £5bn (\$8.5bn) in public sector capital projects if it won office, said deputy leader Roy Hattersley.

JAPANESE banking groups Fuji and Mitsubishi have been granted licences to open agencies in Houston, Texas; Sanwa Bank will open an agency in Dallas. Page 19

HUGHES COMMUNICATIONS of the U.S. is planning to file an \$80m claim with its insurers against the cost of a communications satellite which has gone dead in space only three weeks after its launch. Page 5

CONSOLIDATED Gold Fields of the UK lifted profits 9 per cent to £114.9m (\$153m), with higher earnings from construction materials offsetting a fall in South African gold mining income. See, Page 18; Details, Page 24

ATLANTIC RICHFIELD, U.S. oil group in the throes of reorganisation, is set to complete its withdrawal from the metals industry with the sale of its Columbia Falls, Montana, aluminium smelter to a group of private investors.

MACY'S, U.S. retail group, suffered its first fall in profits since 1978 last year with a 15 per cent slide to \$189m net income.

Secretary in Kohl's office defects to East Germany

A SENIOR secretary suspected of spying in the office of Herr Helmut Kohl, the West German Chancellor, has defected to East Germany, writes Peter Bruce in Bonn. The West German federal prosecutor's office also confirmed yesterday that the woman's husband, who worked as a security analyst for an important political think tank in Bonn, had defected as well.

The defection of Frau Herta-Astrid Wilner, 45, and her husband, Herbert, 59, brings the total number of disappearances in the spy scandal currently troubling the Bonn Government to at least six. It is also the first time the scandal has reached into the office of the Chancellor.

The Chancellery confirmed that it had received a note from Frau Wilner yesterday morning saying

The British Government was steeling itself for further reprisals by Moscow after London's decision on Monday to expel six more Soviet citizens. London was expecting the Soviet Union to continue to act on a head-for-head basis and send home another six Britons. Moscow on Saturday decided to deport 25 Britons in the wake of the UK move to expel 25 Soviet diplomats, journalists and businessmen who it

she had defected. She had worked in the Chancellery since 1973. Her last post had been as chief secretary to the leader of the department responsible for internal affairs, including domestic security policy, and planning.

A second note, from her husband, said he had defected because he feared arrest for activities which would "endanger the external security of the Federal Republic of Germany." The West German authorities

said the couple, who went on holiday to Spain on August 12, were last seen about 10 days ago in the tiny principality of Andorra, between Spain and France, where they spent a night at a hotel. But a neighbour said yesterday that she had seen Herr Wilner on Saturday leaving his home near Bonn with two suitcases.

Federal prosecutors confirmed that the couple had been under suspicion and were being investigated by Herr Hans Joachim Tiedge, the

top West German counter-intelligence executive who fled to East Germany on August 19. The fact that the couple have fled when under observation will add to the Government's embarrassment.

Herr Tiedge suffered from apparently well-known drink and debt problems, and the fact that he was not fired led to intensive opposition efforts to unseat the Interior Minister, Herr Friedrich Zimmermann. The opposition Social Democrats (SPD) renewed their call for the

minister's resignation yesterday after news of the latest defection was released.

Herr Zimmermann yesterday denied reports that he had turned down a request by West German counter-intelligence in July that Frau Wilner be placed under 24-hour observation. The Interior Ministry said it had told the chancellery of suspicions against Herr Wilner on August 28. The Chancellor had then asked Herr Zimmermann to keep an eye on the secretary. By that time, however, she was out of the country.

Herr Wilner worked as consultant at the Friedrich Naumann Foundation in Bonn. The foundation is close to the Free Democrat Party (FDP), a junior member of

New claim of Hernu link to Greenpeace sabotage

By Paul Betts in Paris

THE FRENCH Government was deeply embarrassed yesterday by fresh allegations about French secret service involvement in the Rainbow Warrior affair and suggestions that M Charles Hernu, the Defence Minister, approved the operation which led to the blowing up of the Greenpeace flagship in July.

The latest allegations, made by both Le Monde, the Paris newspaper, and Le Canard Enchaîné, the satirical weekly, claim that a third secret service commando squad, which has not previously been identified, was responsible for the sinking.

Le Monde yesterday suggested that M Hernu, Gen Jeannou Le-casse, the former armed forces chief of staff and Gen Jean Saulnier, who recently replaced him, knew of a secret service operation to sabotage Greenpeace's campaign against French nuclear tests in the Pacific.

The disclosures, immediately dubbed as "a French Watergate", are also extremely embarrassing for President François Mitterrand, who claimed on Sunday that the identity of the authors of the "absurd and criminal act" against the Rainbow Warrior, remained a mystery to him.

Le Monde claimed that the ship had been blown up by two French army frogmen who subsequently managed to leave New Zealand unnoticed.

They were backed up by the two other teams of foreign intelligence service (DGSE) agents which have already either been arrested or identified by the New Zealand authorities.

Two French agents - a man and a woman - are due to go on trial in New Zealand in November. Three other agents allegedly escaped to New California on a yacht.

All the agents involved in the operation appear to have come from the Centre d'Instruction des Nageurs de Combat based in Corsica, where DGSE frogmen are trained, according to the newspaper reports.

The latest allegations, if confirmed, would contradict the version of events given by the French military to M Bernard Tricot, the former senior official under General de Gaulle who conducted an official investigation at the request of M Laurent Fabius, the Prime Minister.

His ambiguous report never mentioned a third squad of French agents and said the army had claimed that it had only taken part in an observation and surveillance mission.

Bankers warned of mounting risks in innovative ventures

BY DAVID LASCELLES AND PETER MONTAGNON IN LONDON

THE BANK of England raised a warning flag for British banks yesterday about the mounting risks in their business, which is marked by rapid change and innovative financing techniques.

The Governor, Mr Robin Leigh-Pemberton, and his deputy, Mr Christopher McMahon, expressed their concerns about the losses banks could face by being too inventive, or by moving into unfamiliar business fields to meet new competition.

Their twin pronouncements - delivered separately but similar in tone - reflect the worries of central bankers about developments both in international banking and in British financial markets.

The Governor's warning came in a letter to UK banks advising them not to become over-exposed to the risk of losses through innovative transactions which are not fully recorded on their balance sheets.

The letter, sent to the British Bankers' Association, is part of an internationally co-ordinated series of warnings to banks around the world following a meeting of top central bankers at the Bank for International Settlements in Switzerland last week.

At the meeting the central bank chiefs of the world's richest industrial countries agreed that banks should be reminded of the dangers inherent in the rapid growth of off-balance sheet business through such fashionable transactions as the underwriting of short-term note

issuance facilities in the Euro-markets.

Supervisors are worried that banks are building up liabilities in this way without any capital backing.

"Mr Leigh-Pemberton said: 'Managements of banks undertaking such business should ensure they possess the necessary skills and understanding to manage the often complex operations involved, to assess the risks and to establish appropriate internal control and reporting arrangements.'"

Mr McMahon's warnings came in a major speech to the management meeting in Switzerland in which he gave the most wide-ranging view of modern banking risks yet delivered by a bank official.

He said banks were having to adopt novel strategies to meet new competitors and follow the growing trend towards finance through securities rather than bank loans. But he believed banks would encounter problems and possible losses as they embarked on diversification, or entered new markets, often encouraged by deregulation.

He said: "In the rush to take advantage of the new freedoms are all those involved... taking sufficient care over the direction in which they are heading?"

He added his warning to that of the governor's about off-balance sheet risks, but added that the concern of bank supervisors "does not relieve banks of the need to estab-

lish their own proper systems of control."

Mr McMahon reserved special pointed criticism for the high salaries being offered in the City of London by new Bank-led securities groupings keen to attract top-quality staff. This had not only led to escalating costs but was also undermining staffing stability at banks.

"If key staff - and even on occasion whole teams - can be offered inducements to move suddenly from one institution to another, it becomes very difficult for any bank to rely on the commitment individuals will give to implementing its plans, and adds a further dimension of risk to any bank which is building its strategy largely around a few individuals' skills."

"This is also, I might add, potentially of concern to us as supervisors and regulators."

Mr McMahon said he did not wish to sound pessimistic about the future, but he advised bankers to adopt well thought out strategies to make the most of the new opportunities around them.

The Governor's letter emphasised the consensus reached by the main central banks over the need for national authorities to supervise the banking system.

But he falls short of suggesting that the main central banks are now ready to impose capital requirements on an internationally co-ordinated basis.

IBM and Nixdorf win major Bundespost computer orders

BY JOHN DAVIES IN FRANKFURT

IBM, the U.S. computer giant, and Nixdorf, the fast-growing Federal-based company, have emerged as victors in a struggle for orders to supply data processing equipment for use in West German post offices.

The U.S. group's success in winning a major share in a DM 40m (€14m) project to come at a blow to its European rivals, including Siemens, the Munich-based computer company.

IBM's selection, disclosed recently, also stirred up a cloud of recriminations against the Bundespost, West Germany's postal and telecommunications authority, and Herr Christian Schwarz-Schilling, the minister in charge.

Critics have claimed that the decision undermines European-backed efforts to establish the so-called OSI norm as a common standard for connecting computers of different makes, but both IBM and the Bundespost have vehemently denied this.

IBM is to supply about 400 of its 8100-series computers over four years from the beginning of next year. They will be installed at

Bundespost headquarters buildings and larger post offices for use in handling internal administrative data.

Although IBM and the Bundespost decline to put a figure on the contract, it is understood to be worth about DM 100m. The contractors will be assembled at IBM's plant in Herten, in southern England.

In a related deal, disclosed subsequently, Nixdorf beat its rivals to an order for up to 4,000 terminals and software for use by workers at post office counters from 1987.

These are the first of 20,000 terminals which the Bundespost plans to install by the end of the decade at a total cost of more than DM 300m. Contracts for the remaining 18,000 terminals will also be put out to international competition, but Nixdorf has been given a head start by winning the first order.

The terminals, with print-out devices, will be used to process and record various counter services, including customers' payments for deposit in post office savings accounts and for money transfers.

For cost reasons, the Bundespost says, terminals will be off-line at first, but provision will be made for them to be linked to mainframe computers in the post office network.

When IBM's success became known, the Bundespost was accused of turning its back on efforts to establish Open Systems Interconnection (OSI) as a standard for connecting different types of computer. OSI, backed in particular by a number of European and U.S. computer manufacturers, has been seen as a response to the dominant position of IBM's Systems Network Architecture (SNA), although IBM has also expressed support for OSI.

Both IBM and the Bundespost pointed out that OSI was still not finalised. Provision, however, would be made to allow its use, they said. The Bundespost said that it was specifically laid down in contracts with IBM and Nixdorf that the gateway question would remain open.

The Bundespost declined to reveal the list of competitors for the

Continued on Page 18

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EUROPEAN NEWS

EEC enlargement casts shadow over budget meeting

BY QUENTIN PEEL IN BRUSSELS

THE BATTLE to bring the EEC budget under control, by setting a strict ceiling on spending, was overshadowed last night by the looming costs of the Community enlargement, to take in Spain and Portugal, and the need to finance past commitments to social and regional spending.

EEC budget ministers were set to meet into the early hours of this morning, as they tried to reconcile the ceiling set at some Ecu 13.7bn (£17bn) set

by their own finance colleagues, and the European Commission's preliminary draft budget for 1986 of about Ecu 35bn (£20.1bn).

They were faced with an early demand by Spain and Portugal that their contributions should be neutral. Calculations by EEC officials suggest they may have to make a net contribution to the budget of some Ecu 200m on the present figures—before the

budget ministers make any further spending cuts.

The ministers also have to trim the budget to leave the European Parliament room to make its own amendments, without, if possible, exceeding the minister's spending ceiling.

For the first year in recent memory, the EEC budget debate is not dominated by disputes over the amount to be allocated for spending on the Common Agricultural Policy or

the rebate payable to the UK.

The former farm spending figure is proposed by the Commission at some Ecu 20.4bn, compared with the finance ministers' ceiling of Ecu 20.6bn, an increase of only 2.4 per cent on this year's spending. The UK rebate, or rather the amount by which the UK contribution will be reduced, is put at Ecu 1.4bn.

While there was general agreement last night that the

spending ceiling would have to be raised to some extent to make allowance for the extra costs of EEC enlargement, the main battle look likely to be fought on the amounts devoted to the EEC regional and social funds.

The Commission has put forward proposals for a very sharp spending increase, of some 50 per cent, in order to catch up with commitments made in former years. The real spending increase is much lower.

U.S. visit by Soviet minister

By Patrick Cockburn in Moscow

THE Soviet Foreign Minister, Mr Eduard Shevardnadze, left Moscow yesterday for the UN General Assembly. He is also scheduled to see President Ronald Reagan on September 27 and to meet Mr George Shultz, the U.S. Secretary of State.

As he departed, the Soviet Communist party daily newspaper Pravda accused the U.S. "of poisoning the atmosphere" before the summit between Mr Reagan and Mr Mikhail Gorbachev, the Soviet leader, in November.

The article reiterated the Soviet position that "the translation of the Strategic Defence Initiative (SDI) into life by Washington will inevitably torpedo the Soviet-American accords on strategic arms limitation, above all the anti-ballistic missile treaty of 1972."

Last month, Mr Gorbachev said there could be no agreement on nuclear weapons unless there was an agreement on SDI.

Pravda, taking a bleak view of relations with Washington, said that the anti-satellite test by the U.S. on September 13 was an attempt "by certain American circles" to damage the summit.

Opposition derides Mitterrand record on foreign policy

BY DAVID HOUSEGO IN STRASSBOURG

FRANCE'S right-wing opposition sought to demolish President Francois Mitterrand's claims to have established consensus on foreign policy. M. Jean Francois-Poncet, the former foreign minister and the opposition's main spokesman on international issues, said the consensus covered the "lowest common denominator" in foreign policy.

He accused the administration of launching initiatives that led nowhere, of failures in Africa and the Middle East, and of failing to devise policies that addressed the problems facing France.

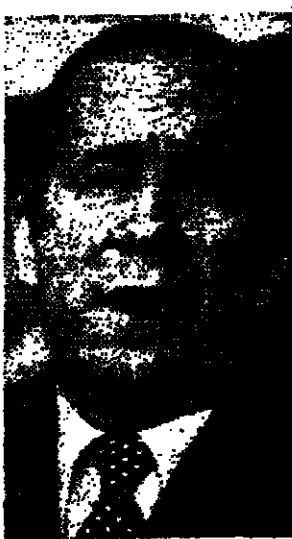
M. Francois-Poncet, who was Foreign Minister under former President Valery Giscard d'Estaing, was particularly hard on the Government's European record and on its handling of France's relationship with West Germany.

He said President Mitterrand had accepted an EEC budgetary settlement that had transformed France from a net beneficiary of the EEC budget to the tune of Ecu 400m-Ecu 500m four years ago to a net contributor of close to Ecu 1bn a year.

France was now in a situation that Mrs Margaret Thatcher, the British Prime Minister, would have described as "unacceptable".

Although relations with West Germany were perfectly cordial, they had been "emptied of substance," he said. Describing Franco-German industrial co-operation as practically dead, he pointed out that West Germany, which had traditionally swayed between the U.S. and France, had chosen to side with Britain over the new European fighter aircraft.

M. Francois-Poncet's attack



M. Francois-Poncet: "Policies leading nowhere"

comes at a time when President Mitterrand has been increasingly using foreign policy issues, such as the French position in the south Pacific, to consolidate his position domestically. In particular, he has made clear that he intends to maintain a grip on foreign policy even if the opposition wins next March's parliamentary elections.

Up to now the opposition has been reluctant to attack President Mitterrand on foreign policy issues for fear of undermining France's position abroad. A further factor that has until now muted the opposition's criticism is that the U.S. has approved the broad lines of French foreign policy under M. Mitterrand.

Arms talks resume on note of pessimism

U.S. and Soviet negotiators resume arms control talks this week in a run-up to the superpower summit in November, but the chief negotiators held out little hope for arrival of a quick breakthrough. Reuter reports from Geneva.

The U.S. chief negotiator, Mr Max Kampelman, said Moscow should "turn" recent public gestures into formal positions in the third round, which opens tomorrow.

"We now await with interest to see if these formal positions will be followed, as we hope they will, by concrete proposals here at Geneva," he said.

Soviet officials have said recently that Moscow would consider deep cuts in long and medium-range missiles if Wash-

ington would scrap research on a Star Wars space-based missile defence system.

Mr Victor Karpov, the Soviet chief negotiator, said the U.S. Strategic Defence Initiative, or Star Wars, plan remained the main stumbling block to progress in all areas of arms control.

"Unfortunately, the U.S. position, above all on the key issue of non-militarisation of space has so far made it impossible to accomplish the task before the negotiations," he said.

The negotiators noted in their prepared statements the importance attached to this round, which is expected to end shortly before the November 18-20 summit between Mr Mikhail Gorbachev, the Soviet leader, and President Reagan.

Turkey calls for revision of agreement with U.S.

BY DAVID BARCHARD IN ANKARA

TURKEY is seeking a revision of its 1979 defence and economic agreement with the United States which expires at the end of the year.

The U.S. ambassador to Ankara was summoned to the Turkish Foreign Ministry yesterday and handed a note which means talks will have to be completed within three months.

Embassy officials said the move was "not unexpected."

Turkey is a key NATO ally of the U.S. and the third largest recipient of U.S. aid after Israel and Egypt. More than 8,000 U.S. military personnel are stationed in Turkey and their work ranges from intelligence gathering and electronic eavesdropping on the Soviet

Union to air bases which play an important part in NATO's East Mediterranean defences.

Turkey's sense of grievance centres on three points. First, it feels that the present volume of aid (just below \$1bn annually) is below its requirements. Second, it wants to end the 7:10 ratio between U.S. military aid to Greece and aid to Turkey. Third, Turkey resents attempts in the U.S. Congress to tie aid to other issues, such as the Cyprus dispute.

The Government's main demand is likely to be that annual aid levels over the next five years should be fixed in advance, a request which the U.S. Administration may not be able to grant. Turkey also wants more economic aid.

Italian MEP sentenced to jail for dealing in drugs

BY ALAN FRIEDMAN IN MILAN

SIG ENZO TORTORA, the well-known Italian television presenter elected to the European Parliament last year, was last night sentenced to 10 years in jail on charges of having collaborated with Naples criminals and having dealt in drugs.

The conviction of Sig Tortora, who has spent the past year campaigning for judicial reform in Italy and proclaiming his innocence, comes after a controversial trial of more than seven months.

Once one of Italy's most celebrated chat show hosts, he was on trial in Naples along with 68 other alleged members and associates of the Camorra, the Neapolitan Mafia. Those on trial were arrested in a vast round-up in June 1983.

Since the European election of June 1984, Sig Tortora has represented Italy's left-wing Radical Party at Strasbourg. Once elected he was freed from house arrest. If he retains his parliamentary immunity, he will escape going to prison. Meanwhile, he is expected to file an appeal.

There has been much criti-

cism of the way the Camorra trial in Naples has been conducted, with 639 suspects in the dock for a range of offences connected with the organisation's two main activities—the trafficking of drugs and the extortion of protection money from businesses. Yesterday, the court passed judgment on 341 of those on trial.

FINANCIAL TIMES

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Controversy over banks' bid for Irish forests

BY OUR DUBLIN CORRESPONDENT

NEARLY a million acres of Irish state-owned forests have become the focus of controversy following a suggestion that all or part of them should be sold to financial institutions.

A representative on the Irish Congress of Trade Unions has resigned from a Government review group on forestry after senior government ministers indicated they would be willing to sell off some of the forests which are valued at £1.3bn (\$1.4bn).

The row is also likely to cause divisions in the coalition Government, with the junior partner, Labour, opposed to privatisation.

Most of the forest of spruce and

pine was planted up to 40 years ago on mountain and bog land and will soon be ready for exploitation. The trade union representative, Mr Peter Cassells, said that if the banks and pension funds were interested in forestry they should use their funds for planting rather than the non-risk area of purchase of mature forests.

The row began when Mr Lorcan Blake, the Agricultural adviser to Allied Irish Bank suggested that the banks and pension funds would be willing to pay £1.3bn on a phased basis for the forests—which would give the Government a source of revenue and capital to invest in further afforestation.

Brussels to seek rights clause

BY IVO DAWNAY IN BRUSSELS

THE EUROPEAN COMMISSION yesterday gave notice that it will press for new clause guaranteeing consumers' rights to be included in any changes to the Treaty of Rome, the founding document of the EEC.

Consumer protection provisions will now be added to the long list of measures under discussion by the new intergovernmental conference on expanding the Community's activities and speeding decision-making. But they may face opposition from some member states which would prefer to keep consumer affairs out of the Treaty.

Outlining a new initiative yesterday, Mr Stanley Clinton Davis, the commissioner responsible for consumer protection, described the EEC's record in the area over the past 10 years as "lamentable". This was blamed on the tendency of some national governments to ignore consumers' problems at a time of recession.

But periods of economic stringency meant consumers needed more, not less protection, Mr Clinton Davis claimed. "Safeguarding the interests of consumers is intimately related to the success of industry," he said. "We need to be more vigilant, not less."

The Commissioner went on to sketch four main areas where officials will now be seeking to speed progress. These will include:

- Better protection for travellers, incorporating Community-wide rights of redress against tour operators, the possible creation of inexpensive small claims courts and stricter coach and air safety rules.

- Greater efforts to ensure product safety, specifically aimed at protecting children from toxic goods.

- The incorporation of guaranteed consumer rights for the Community's 32m citizens through treaty changes.

- A more strenuous enforcement of the right to buy goods and services throughout the EEC, with greater use of court actions against recalcitrant companies.

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EUROPEAN NEWS

Diana Smith reports on the contenders in Portugal's general election next month

Lisbon's old coalition parties jostle for power

PORTUGAL'S ELECTION campaign is taking its first tentative steps, aided as much by a burst of thunderstorms last week — which drove people off the beaches — as by the familiar thundering of politicians.

But from now on, blaring loudspeakers will tour day and night, and there will be television and radio broadcasts, rallies and wall-to-wall campaigns. Only hermits or the stone deaf could miss the messages being hurled at 7m voters by 12 parties, of which five stand a sporting chance of winning more than 10 per cent of the vote on October 6.

One of the five, the Social Democrats (PSD), precipitated this unwelcome election when its new leader, Sr Anibal Cavaco Silva, broke up the two-year-old ruling centre-left coalition with the Socialists on June 18.

Sr Cavaco Silva rejected offers by the outgoing head of state, Gen Antonio Ramalho Eanes, to patch-together a compromise that could avoid legislative elections — until after the presidential election scheduled for January.

Gen Eanes and Sr Mario Soares, leader of the Socialists (the main coalition party) did not want another costly, erosive snap election. They regarded it as unlikely to produce an absolute majority for any party and apt to be followed in less than a year by another snap election called by a presidential victor anxious for a strong parliamentary base.

The PSD rejected compromise. Its new image, after four years of internal squabbles that undermined three successive governments, has been revamped. It is now one of emblematic unity under a dis-

ciplianarian leader determined to lead the electorate into rejecting the Socialists and making the PSD — now on a rightward shift — Portugal's top party.

Many members of the middle and upper middle classes, who have been restless since Portugal's right-wing democracy was overthrown in 1974, are delighted with the newly pugnacious PSD and its leader.

Behind Sr Cavaco Silva's stern authority they see ghosts of a paternalistic past when life was more orderly and a repressive government ensured that the populace behaved itself.

The PSD seems to be catering to an audience which blames all Portugal's difficulties on the rule of the left and which ignores the damage done by colonialism and colonial wars, monopolistic economic practices, isolationism and agricultural and industrial backwardness.

The party, which is noted for its standing reputation of the hardline Portuguese Communist Party (PCP), is fighting to identify the Socialists with the

located. The 28 km stretch of motorway will also link Oporto to the 200 km highway financed by European Community grants and EIB loans now under construction between the northern port of Aveiro and the Spanish frontier.

This highway, to be opened next year, will permit businesses in the north to transport goods for the first time on a proper highway to and from Spain, without the costly delays caused by badly surfaced winding mountain roads.

Communists. The Christian Democrats, led by Sr Lucas Pires, are trying the same tactics. Both parties apparently believe that the only way to modernise Portugal is to discredit and alienate the democratic left, reducing the Socialists' electoral weight.

The tactic discounts the natural inclination of many Portuguese voters. In 1983, the Socialists took 36.3 per cent of the vote, compared with the PSD's 27 per cent, despite the fact that they promised ferocious austerity to correct pernicious effects of public and private overspending and dangerous foreign indebtedness bred by the PSD-Christian Democrat 1980-83 coalition.

Pragmatically, the Socialists formed a coalition with the PSD, and Sr Soares spent the next two years shoring up the Government while the PSD, under three changes of leadership, sapped itself from within. The Socialists are now promoting Sr Antonio de Almeida Santos, a lawyer and experienced Parliamentarian, as pro-

pective Socialist premier, while Sr Mario Soares grooms himself for the presidential campaign later in the year.

They are pushing an image of a party that dared to impose unpopular measures and which is now ready to review an over-socialising constitution so that Portugal can cope more flexibly with her forthcoming European membership.

Urgent need for constitutional reform, removing the left-wing ideology imposed in the revolutionary period of 1975-76 and only mildly attenuated in the 1983 review, has been proclaimed by all parties right of the PCP or its sympathisers.

The constitution is a heavily-socialist document which has been blamed for stagnation of finances and industry. The Socialists have shrewdly joined the chorus clamouring for depoliticising and modernising of the nation's constitution. Their support for this reform takes some bite out of the PSD and Christian Democrat arguments.

Nevertheless, the Socialists dragged their feet over possible reforms of labour laws, the public sector and the bureaucracy without constitutional change. Sr Cavaco Silva has routinely hammered them for such timidity; and the criticisms stick.

In the 1983 elections the Communists took 18.2 per cent of the 1983 vote: a high percentage not entirely surprising in a country whose labour force lives with underemployment, abysmal wages, inefficient welfare and health services, and about \$60m (\$46m) of unpaid wages or benefits at any given time.

While they and the other main parties jostle for positions and hunt for converts, a new arrival could steal part of the centre-left vote.

The Partido Renovador Democrático (PRD) is a grassroots party clustered around the discredited image of Gen Eanes, the sponsors in spirit but still being head of State, cannot actively pursue its goals.

How much it wrests from the Socialists or the PSD is still unclear. But its leader, Sr Hermínio Martins, a farmer, is counting heavily on the "discontentment factor" to woo up to 12 per cent of voters.

Voters are more perceptive of real issues than local politicians presume and seem particularly disgruntled by this election. Turnout dropped from 96 per cent in 1975 to 78 per cent in 1983.

It could decline again unless, by October 6, the electorate is convinced it is not being asked again to referee a petty squabble among an elitist political class rather than express itself on a national need.

Opposition cool to Palme's overtures

By Kevin Done, Nordic Correspondent, in Stockholm

SWEDEN'S centre-right opposition, defeated narrowly in Sunday's general election, have reacted cautiously to overtures from Mr Olof Palme, the Social Democratic Prime Minister, who appears to be seeking a broader basis for co-operation in parliament.

The Social Democrats have lost their majority over the three non-Socialist parties — the Conservatives, Liberals and Centre party — and are now dependent on the Communists for a majority.

This is expected to create problems on the economic front, where the Communists want more expansive policies and the Government wants to cut the budget deficit.

Many observers expect the Government will be forced to lighten the economic reins in order to dampen private consumption and slow the increase in imports.

Mr Bengt Westerberg, leader of the Liberals whose party gained 30 seats in the election, said it would be preferable for the Social Democrats to lean towards the opposition rather than to the Communists for support.

He was sceptical, however, about the Government's willingness to follow the opposition line in holding back tax increases and seeking expenditure cuts.

Mr Thorbjörn Fälldin, leader of the Centre party and a former Prime Minister, has already firmly rejected Mr Palme's overtures. "We saw what Palme's promises were worth when he pushed through the wage-earner funds," he said.

The trade union-controlled funds, which siphon off corporate profits for investment in Swedish equities, proved the most bitterly divisive issue during the Social Democrats' past three years in power.

The opposition parties defeated in the election could take some consolation from gains in the parallel local government elections. They took power in several counties and towns, including Malmö, Sweden's third largest city which had been ruled by the Social Democrats for 66 years without a break.

Debt problems loom for Poland as foreign earnings lag

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S hard currency surplus, which is running at \$613m after eight months this year, has failed to meet targets, according to figures published here. This will bring difficulties in meeting debt service payment schedules.

Officials admit that Poland has fallen behind with payments on some \$400m of debt due to Western governments by the end of last month, but they are looking to higher than expected invisible earnings this year to cover debt payment needs of some \$22m.

The eight-month surplus compares with a healthier \$995m surplus earned between January and August last year when hard currency export earnings were some 10 per cent above this year's level.

The cash squeeze has hit hard currency imports, which are rising by no more than 3 per cent in value compared to the 7 per cent target increase for the year.

Imports could be further cut this year, affecting industrial output.

Lower than expected imports have already affected industrial production which has grown by 2.2 per cent after eight months, or slightly over half the planned target for the year.

Poland's government spokesman has confirmed that the U.S.-based Rockefeller Foundation has proposed a scheme for channelling Western capital into Polish food production.

A foundation directed by representatives from Poland, North America and Western Europe would raise capital and invest in five specific areas: ham; fruit juice; frozen vegetables; broilers and peas, with the aim of boosting exports.

Under the scheme, which the spokesman said had "just been handed over for consideration," some \$65m would be invested, for example, in boosting ham output.

Spain dreams of magic kingdom on the Med

BY TOM BURNS IN MADRID

MICKEY MOUSE mania struck Spain yesterday as senior executives of Walt Disney productions toured the Mediterranean coast examining possible locations for a "Euro-Disney" leisure centre.

The Walt Disney team, led by vice-president Richard Numis, had flown into Barcelona on Monday after talks in Paris with French officials. France and Spain are rivals in the battle to lure a \$2bn investment for an amusement park modelled on the existing Disney establishments in the U.S. and Japan.

Mr Numis and his fellow executives were reportedly examining four potential Spanish locations, all of them on the Mediterranean.

The prospect of a "magic kingdom" on the Med has fired the imagination of the Spanish administration and prompted grandiose projects to capitalise on the area's well-established

tourism industry.

While the main French offer consists of a closed amusement park on the outskirts of Paris, Madrid officials have plans for a large leisure centre which would include some 20 hotels, four golf courses, holiday homes and what one official described as "the biggest marina in the Mediterranean."

Although no figures have been revealed, it is understood that both France and Spain are more than willing to provide substantial subsidies. While yesterday reconnaissance received considerable publicity, there have been more than a dozen discreet trips to both countries by senior Walt Disney executives since the beginning of the year.

A decision on Mickey's European home had been expected before the end of the summer, but officials stressed yesterday that the process was a slow one

Greece uncovers suspected urban guerrilla network

BY ANDRIANA IERODIACONOU IN ATHENS

HAS URBAN guerrilla warfare Italian-style caught up with Greece? A bemused public is pondering the question this week, following government revelations of the suspected existence of an intricate network of terrorist groups which could have been responsible for bombings and politically motivated assassinations in Athens over the past 10 years.

According to Mr Thanassis Tsouras, the Deputy Minister of the Interior and Public Order, the authorities believe they

have struck the "first major blow against organised terrorism," with the arrest last week of three men after two bomb explosions which damaged property but not people in an Athens neighbourhood.

The arrests immediately became front-page news as it was revealed that one of the three men, Mr Danos Krystallis, had been employed as a journalist for ERT-2, Greece's second state television channel, and as police hinted that the case could prove a breakthrough in

terrorism investigation.

The plot thickened further when a stunned Greece Press was informed on Monday that the man had also been an informer on terrorist activity for the Greek police and intelligence services since 1978.

According to the authorities, Mr Krystallis began to be suspected of direct involvement in terrorism during his period as an informer, and was kept under surveillance until he could be arrested.

Mr Krystallis has been

charged with being involved in a string of bombings in 1984 and with planning the assassination of a prominent right-wing newspaper publisher in March 1983. The publisher was one of the series of victims of terrorist groups in Greece, starting with the shooting in 1975 of the CIA chief in Athens, Mr Richard Welch, by the shadowy "November 17" organisation.

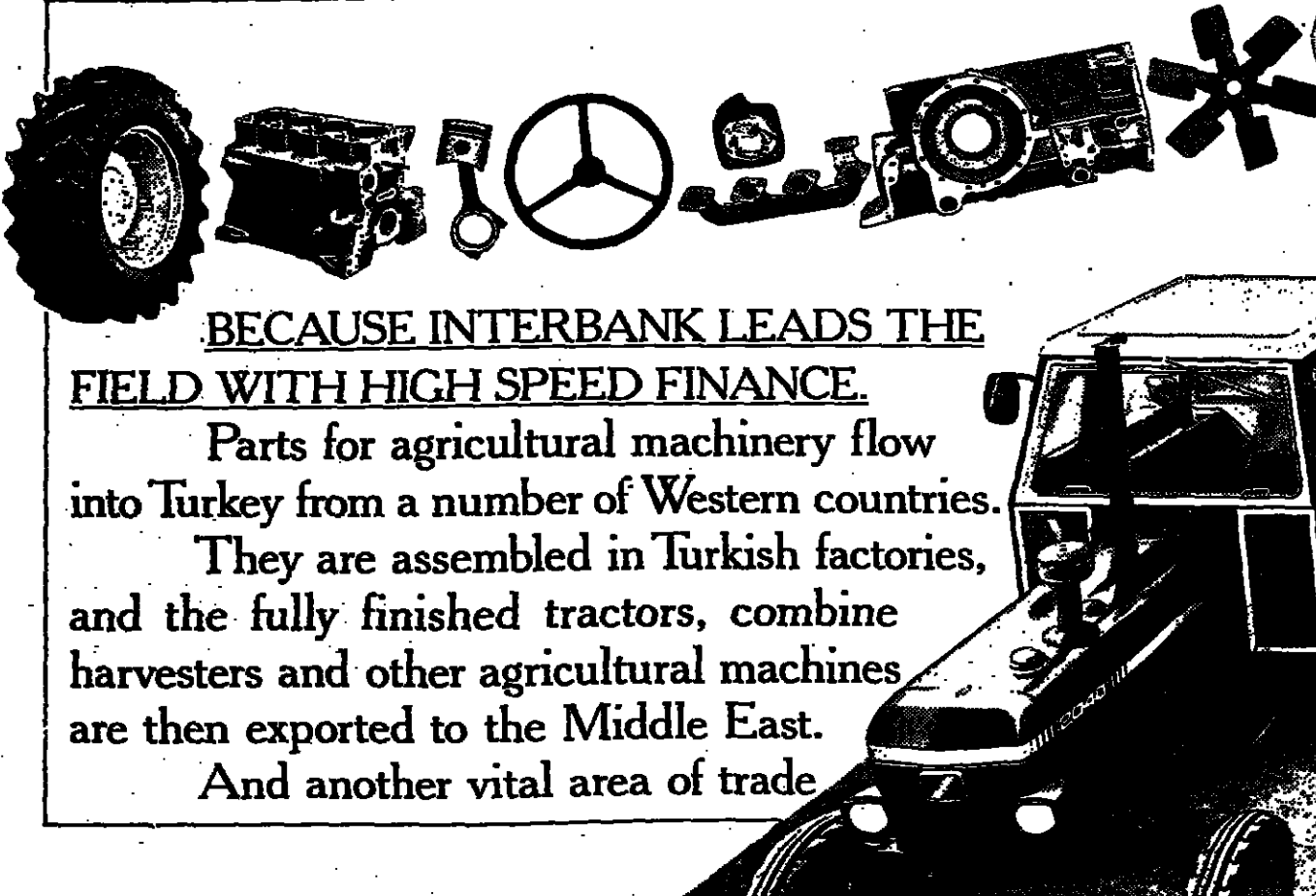
That organisation has since claimed responsibility for seven more shootings, including that of a U.S. navy captain, George

Pantes, in November 1983.

According to the authorities, evidence found in Mr Krystallis's home includes correspondence addressed to "November 17" and typewritten manifestos claiming responsibility for planned assassinations of newspaper publishers, senior police officials and magistrates.

Mr Tsouras said it is believed that a "consortium" of terrorist groups and sub-groups, with different names and goals, is operating in Greece.

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OVERSEAS NEWS

Thatcher softens stance on talks with PLO

BY TONY WALKER AND ROGER MATTHEWS IN CAIRO

MRS MARGARET THATCHER, the British Prime Minister, yesterday suggested a way out of the present deadlock in the Middle East peace process which would include direct talks with recognised but not prominent members of the Palestine Liberation Organisation.

Speaking in Cairo after nearly two hours of talks with President Hosni Mubarak of Egypt, the Prime Minister said it was very important that the first step—a meeting between the U.S. and a joint Jordanian-Palestinian delegation—should be taken "comparatively soon".

President Mubarak, in an interview with British reporters after the meeting, urged flexibility in dealings with the PLO. "How can we exclude the PLO from the

peace process?" he asked. "Let us be realistic and be fair. You can never neglect the PLO."

Referring to the haggling over the list of names of Palestinians to be included in the opening dialogue, Mr Mubarak said: "We should not make a problem of small issues... we would like to push the process forward."

Mrs Thatcher, who is making the first visit by a British Prime Minister to Egypt since 1948, said the main sticking point was over which Palestinians would be acceptable members of the delegation.

Indicating greater flexibility than the Americans on dealings with the PLO, Mrs Thatcher said: "It is important that those names should not include

people extremely prominent in the PLO, but it could include people who have been associated with the PLO, as long as they reject terrorism."

Mrs Thatcher's statement revealed an apparent softening in her position on official contacts with the PLO. While British officials have had quite frequent meetings with prominent PLO figures, ministers have been forbidden to do so.

A meeting between U.S. officials and a joint Jordanian-Palestinian delegation has been proposed as a means of opening the way to direct Arab-Israeli talks. Washington has objected to several of the Palestinian names suggested as members of the joint delegation, because of their PLO associations.

The U.S. is known to be concerned that the proposed first stage meeting could involve indirect recognition of the PLO. Washington has said it will not recognise the PLO until it publicly endorses UN Security Council resolution 242, which would mean acceptance of Israel's right to exist within pre-1967 boundaries.

Mr Mubarak revealed yesterday that he had sent a message to Mr Shimon Peres, Israel's Prime Minister, on bilateral issues and that there was some progress on the vexed Tabat dispute which is proving a barrier to improved Egyptian-Israeli relations.

He would not go into details on the dispute over the tiny speck of land in Sinai, left unresolved after Israel's withdrawal in 1982, but said: "I am optimistic. I hope we can proceed forward on the problem of Tabat so as to put it to an end."

Egypt has been insisting that the dispute should go to arbitration. Mr Peres is known to favour such a course, but has been unable to persuade hardliners in the Likud faction in his Cabinet to go along with arbitration.

At least 10,000 people marched on the Egyptian embassy in Khartoum yesterday to protest against Egypt's decision to allow deposed President Isafar Numeiri to leave Cairo instead of handing him over to Sudan for trial, Reuters reports. The demonstrators burned Egyptian flags and called for a break in relations.

Pakistan's 'black cash' scheme pays off

By John Elliott in New Delhi and Mohammed Arafat in Islamabad

A MAJOR fund-raising exercise by Pakistan, aimed partly at reducing the size of the country's black economy, has helped to reduce economic pressures on the government caused by falling foreign currency reserves and its domestic budget deficit.

Black money and property has been cashed in to buy what the government calls "whitener bonds" worth Rs 15bn (£680m)—five times the original target of Rs 3bn.

In addition, Mr Mahabul Haq, the Finance Minister, announced yesterday that under a separate scheme foreign exchange bearer certificates were being sold at a rate of "52m a day".

Taken together with a recovery of about 23 per cent in the balance of trade in July and August, and a 14 per cent improvement in remittances from Pakistanis working abroad, these sales mean that there may now be less need for Pakistan to go to the International Monetary Fund for help.

Mr Haq told the country's national assembly that foreign exchange reserves reached \$633m, about five weeks' worth of imports, on September 12, compared with a low of \$222m on August 10.

A team from the International Monetary Fund is in Islamabad, continuing talks started earlier this year on Pakistan's economy. The talks will be continued in October at the annual meeting in Seoul of the IMF and the World Bank.

Mr Haq said Pakistan had made no request so far to the IMF for a specific loan or standby credit.

He also denied local newspaper reports that the IMF was proposing loan conditions for electricity, gas and telephone charges and railway fares.

Price rises are a delicate issue which could upset the country's political stability. The "whitener bonds" scheme was launched through banks at the beginning of last month. Investors were asked to pay 90 per cent of the cost of a bond, the remaining 10 per cent being redeemable when the bond was redeemed after two years. It was intended that "black money" should be invested and that, without any legal liabilities, the Government would accept it as whitened (or laundered) money once the bond had matured.

But potential clients complained that they held their black wealth in buildings, machinery and stocks, not in cash. The scheme was then amended so that 75 per cent of the value of each bond was coverable by such assets as long as a further 15 per cent (plus a 10 per cent down payment) was cash.

Botha still backing rebels, says Machel on eve of U.S. visit

BY ANTHONY ROBINSON IN JOHANNESBURG AND REGINALD DALE IN WASHINGTON

SOUTH AFRICA'S Foreign Minister confirmed yesterday that Mr P. W. Botha, Minister of Foreign Affairs, had been called to Maputo on Monday and presented with evidence of continuing South African support for the rebel Mozambican National Resistance (MNR). The news came as President Samora Machel of Mozambique flew to Washington for talks with President Ronald Reagan and other top U.S. officials.

According to the Mozambican news agency (AIM), President Machel, flanked by Mr Sergio Vieira, the Minister of Security, and Mr Oscar Monteiro, Minister of the Interior, told Mr Botha that a successful attack by Zimbabwean army units on two MNR bases in central Mozambique had discovered "vital evidence" proving continuing South African de-stabilisation on Mozambique territory in violation of the Nkomati accords of March 1984.

Mr Botha said later the evidence was being investigated and he had asked for a further meeting to discuss the matter.

South Africa, which had admitted supporting the MNR prior to the Nkomati accords, has consistently denied continuing official support since then. It also promised on several occasions to tighten surveillance on the border and crack down on continuing clandestine support from former Portuguese settlers, and other MNR supporters resident in South Africa.

During Mr Machel's visit to the U.S., President Reagan will be continuing U.S. efforts to woo Mozambique away from the Soviet camp, despite strong disapproval of his tactics by American right-wingers.

As the high point of his first-ever official visit to the U.S., President Machel will join Mr Reagan for two and a half hours of talks and a working lunch at the White House. In addition to being feted by other leading members of the Reagan Administration over the next three days.

The red carpet rolled out for Mr Machel last night. He has infuriated a considerable number of Mr Reagan's conservative supporters, who do not believe that Mr Machel's apparent increasing commitment to the West represents a true change of heart.

The conservatives would prefer to see Mr Machel brought down by the right-wing rebels waging a civil war against his government.

On the eve of Mr Machel's visit, five conservative Republican senators expressed open scepticism about Mozambique's really weaning it away from Moscow as the Reagan Administration claims.

In a letter to Mr Reagan, the Senators said they questioned "whether it is in America's strategic interests to prevent the inevitable toppling of a pro-Soviet, dedicated Marxist government which has ruthlessly suppressed its people and bankrupted its economy."

U.S. officials on the other hand, yesterday insisted that Mr Machel was making genuine changes in his attitudes towards the West. Although they admitted that the process of enticing him away from Moscow was not yet complete.

As South African forces pushed further into Angola yesterday in pursuit of Swaga, General Constand Viljoen, Chief of the South African defence force, announced the death of a 28-year-old medical orderly killed in Angola at the weekend during a clash between UNITA rebel forces and the Angolan army.

Gen Viljoen said that Lance Corporal Bruce Fidler, whose body has been flown to Luanda, was part of a medical team rendering medical support to seriously wounded UNITA soldiers. The unit has now been withdrawn.

A defence headquarters spokesman said the incident had no connection with the current South African action against Swaga. But observers here note that Mr Machel's apparent increasing commitment to the West represents a true change of heart.

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Tony Walker reports on the daunting task facing Egypt's new Prime Minister Cairo searches for painless economic reform

THE PRESIDENT of Egypt, in his letter to Dr Ali Lutfi appointing him Prime Minister earlier this month, assigned the new chief minister an almost impossible task. President Hosni Mubarak asked him to carry out economic reform while also holding down prices and refraining from imposing extra financial burdens on the people.

"It was like walking into a shop and asking for the best quality goods at a low price," said one Egyptian banker. "Dr Lutfi comes with a mandate to solve economic problems, but not a mandate to pay the price."

The Prime Minister, according to those who have spoken to him recently, is said to be "very well aware of the difficulties he faces. His immediate concern is said to be over an acute hard currency shortage that has pushed the black market value of the Egyptian pound in recent weeks to \$1.80 against the official incentive rate of \$1.30.

Some advisers to Dr Lutfi's former Finance Ministry are urging a substantial "evaluation of the overvalued local currency to bring it into line with open market rate. They are also recommending the licensing of money dealers to draw them closer to the banking system.

Other measures being pressed include a rationalisation of Egypt's tangled exchange rate regime along the lines proposed by a recent International Monetary Fund report which urged the "complete unification" of the commercial and free market rates with unhindered competition

among banks determining the exchange rate.

Local bankers complain they are disadvantaged in the financial markets because they are unable to compete with rates offered for scarce dollars by unofficial traders.

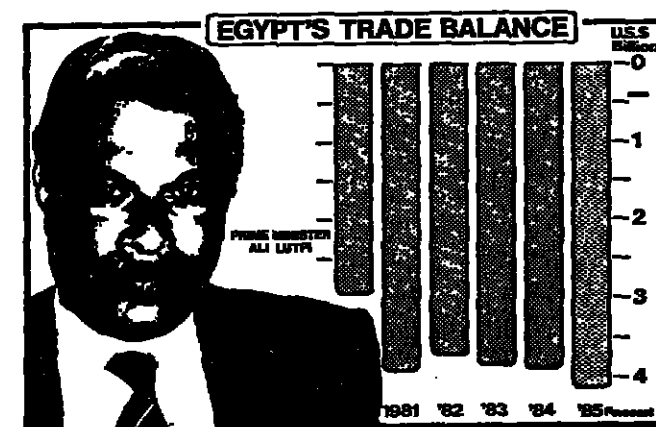
According to the IMF report, one of the options being considered is for a procedure whereby the "average" of exchange rates for the Egyptian pound in the local and neighbouring countries' free markets during the previous month would be used as a base for setting the premium rate in the following month."

Foreign bankers report an almost unprecedented demand for foreign exchange, as importers seek to build up stocks in anticipation of a squeeze either later this year or early next year. The Government is drafting new import rationalisation procedures covering four categories: prohibited commodities; those subject to prohibitive, protective and minimal import duties.

"The only short-term solution (to the hard currency shortage) is to cut back on imports," said one foreign banker. "They've got to take some very unpleasant decisions. They've got to bite the bullet on imports and subsidies."

Reform of Egypt's creaking price and subsidy system is Dr Lutfi's biggest political and economic headache. There is widespread grumbling over price increases of non-subsidised items in the markets.

Failure to control prices and the concern it was causing President Mubarak and his advisers is thought to have been one of the reasons for the



sudden, unexplained resignation of the former Prime Minister, Gen Kamel Hassan Ali. Alarm among his colleagues about possible political costs of price increases is a burden Dr Lutfi could do without. The IMF criticised measures now being adopted to bring prices of goods and services more into line with costs as "too gradual to redress distortions quickly enough to overcome deterioration in the budget and balance of payments without other substantial measures."

Given the size and pervasiveness of explicit and implicit consumer subsidies, a pragmatic approach needs to be followed to alleviate their budgetary burden and reduce their distorting impact on production and saving, including better targeting of subsidies and limiting them to a few essentials," the report said.

Dr Lutfi's views, published in the latest edition of Al-Mussawar, a semi-official weekly news magazine, reveal a commitment, in theory at least, to "surgery rather than sedatives" to cope with his country's economic malaise, which includes an alarming slide in Egypt's balance of payments and an increasingly burdensome external debt.

Dr Lutfi advocates, among other things, comprehensive reform of the wages and pricing system, including a possible phasing out of commodity subsidies over a five-year period and their replacement by a system of direct financial support to low income families.

His other priorities, according to the Al-Mussawar article, are to improve tax collection procedures, encourage productive foreign investment, under the "open-door" policy and expedite the inflow of remittances from Egyptians working abroad.

An unspoken fear among many Egyptians is that the Government will resort to

exchange controls in the face of an acute hard currency shortage. Local bankers say this would be a disaster because of the certain disruption to the inflow of remittances, Egypt's principal source of foreign exchange.

There is some capital flight, according to local bankers, because of uncertainty about management of the exchange rate and a feeling that the value of the Egyptian pound will decline further.

There appears to be general agreement both inside and outside the Government that bold initiatives are needed to cope with Egypt's economic crisis including more candour on the part of the authorities about the country's problems. Egyptian officials are terrified by the memories of widespread rioting in 1977 following bread price rises introduced by late president Anwar Sadat. They are reluctant to tackle the price and subsidies head on, preferring instead to raise bread prices in small increments. But according to the IMF the Government is not moving fast enough. Pressures are increasing on the budget and balance of payments.

The pressures on Dr Lutfi are considerable and, politically, time is short unless the Americans pump some more hundreds of millions of dollars into the Egyptian economy in the form of direct grants.

Dr Lutfi has a grace period because of the circumstances of his surprise appointment," said one prominent local banker, "but he must do something bold by January—otherwise he is doomed."

But potential clients complained that they held their black wealth in buildings, machinery and stocks, not in cash. The scheme was then amended so that 75 per cent of the value of each bond was coverable by such assets as long as a further 15 per cent (plus a 10 per cent down payment) was cash.

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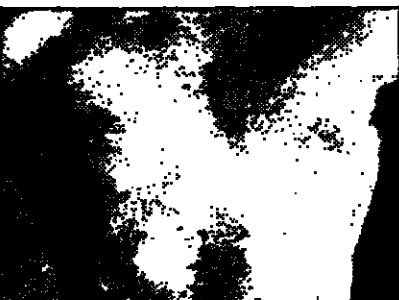
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The problem with most medical conferences is that their view of health care is somewhat limited.



Conference on Diseases of the Chest



European Workshop for Treatment of the Hand



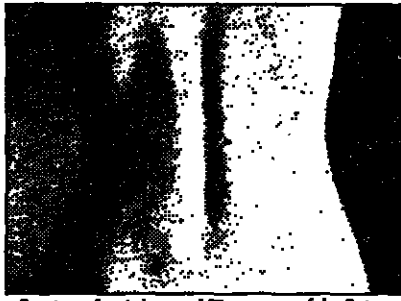
American Rhinology Symposium



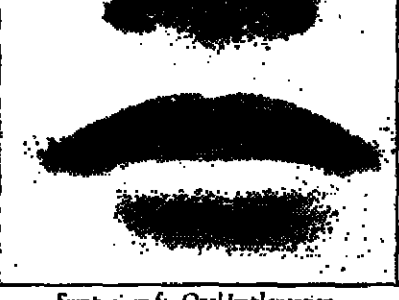
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Jordan, Syria agree pact

Syria and Jordan have agreed during reconciliation talks in Jeddah on steps to improve relations, strained by political and ideological disputes, Saudi Arabia's Crown Prince Abdul-Jah Ibn Abdulaziz said yesterday, Reuters reports.

The Prince, quoted by the official Saudi Press Agency said agreement was reached between Syrian Prime Minister Abdel-Rauuf al-Kasm and Jordan's Prime Minister Zeid Al-Rifa'i, upon a number of steps to create a suitable atmosphere.

The usually well-informed Saudi newspaper Ash-Sharq Al-Awsat said the two sides had agreed in principle to stop propaganda warfare, lift border restrictions and boost trade. They will resume their dialogue in Saudi Arabia next month, according to the Prince.

Thai coup leaders arrested

By Boonsong K'itana in Bangkok

AT LEAST three of the five military generals suspected of masterminding last week's abortive coup in Thailand, were arrested yesterday and charged with conspiracy to overthrow the Government.

Thai police issued warrants for the arrest of a total of 24 persons alleged to be involved. Those arrested include Gen Kriangsak Channaman, a former Prime Minister, Gen Serm na Nakon, former supreme commander, and Gen Krasae Intharat, former deputy supreme commander.

The whereabouts of another suspect, deputy supreme commander Arun Promthep were unknown. Gen Yos Thaphadhin, ex-deputy army commander in chief, who is in a Bangkok hospital, was in police custody.

The arrests came as three members of Gen Kriangsak's National Democracy Party, Mr Ob Yasurana, the Industry Minister and his two deputies, announced their resignations. The 34 persons, including four union leaders already arrested, were charged of conspiring to overthrow the Government, an offence which carries the death penalty, according to police chief Narong Mahamonont.

In addition to the five generals, fugitive former tank commander Mamonon Roopkachorn, believed to be in Frankfurt seeking political asylum, and his younger brother, Wing Commander Manas, now in hiding in Thailand's western border, are also wanted.

Police had delayed action against the chief suspects because some of them who are MPs or Senators had parliamentary protection while Parliament was in session. The Parliament was declared closed at midnight on Monday.

Cape marchers demand re-opening of schools

BY ANTHONY ROBINSON IN JOHANNESBURG

THOUSANDS of parents and schoolchildren converged on the streets of Cape Town yesterday in an attempt to force Mr Carter Ebrahim, the Coloured Minister of Education and Development, to re-open over 450 schools and teacher training colleges closed since September 6.

The decision to close the schools, and send an estimated 500,000 schoolchildren and students home until October 1, was taken at the height of recent rioting.

This followed the forcible prevention by the police of a planned march on Follisfont Prison to call for the release of jailed African National Congress (ANC) leader Nelson Mandela three weeks ago.

The minister explained the closure decision by the authorities' inability to guarantee the safety of students at a time when the schools had become the focus of protest meetings and organisational centres for marches and demonstrations.

The decision was bitterly contested by many parents who feared the effect of

AMERICAN NEWS

Hughes plans to file \$84m claim for loss of satellite

BY TERRY DODSWORTH IN NEW YORK

HUGHES COMMUNICATIONS of the U.S. is planning to file a \$84m (\$82.5m) claim with its insurers against the cost of a communications satellite which has failed in orbit only three weeks after its launch.

Hughes, a division of the Hughes Aircraft company, which was recently purchased by General Motors, said that the problem with the satellite occurred soon after its launch by the space shuttle Discovery on August 29.

The company had since been working to try to revive the satellite but it said that it was now "doubtful that continuing efforts to revive the communications payload would be successful." Initial investigation of the problem indicated it might have been caused by the failure of a cable to the transmission antenna.

The satellite, Syncom 4, was launched by Discovery as part of a network of satellites for a global communications system for the U.S. navy. Four of the communications units, known by the navy as Lesat, have already been launched, and a fifth is due to be launched soon after the shuttle flight to complete the network.

Earlier this year, the shuttle Discovery failed to redeploy another Lesat vehicle built by

Hughes for the navy, and it was left to drift in space and eventually burn up. In that case, the fault developed soon after the satellite was launched by the shuttle, and involved a faulty switch on the payload, which prevented booster motors from firing.

Although satellites have been repaired in space nine times, including the latest navy unit, have been lost since 1977, with a total insured value of well over \$500m.

Difficulties with the complex launch procedure used by the shuttle crafts have been blamed for some of the problems, causing some customers to turn to the Ariane rocket developed by Western European governments as an alternative.

The Ariane programme, however, suffered a serious blow itself last week when a rocket launch shortly after a takeoff from a network of satellites, Mitterrand of France. Engineers were forced to destroy Ariane as it slipped into a dangerous trajectory leading it over land.

The shuttle was also blown up along with the Ariane rocket, one belonging to Evrelsat, the European satellite organisation, and the other to GTE Spacenet, the U.S. communications group, at a total loss estimated at about \$190m.

Doreen Gillespie in Lima examines the President's attempts to improve services and living standards

Garcia hands out cheques and hopes in rural Peru

AFTER Sir Alan Garcia's six weeks in office, Peruvians are gradually getting used to the populist habits of their 36-year-old President. His most characteristic move is to make important policy pronouncements during impromptu appearances on the balcony of the Government palace in the centre of old Lima, or at provincial rallies which he holds tirelessly up and down the country.

Typical of his style was a recent visit to the southern Andes where, instead of promising economic aid, he took a series of cheques with him worth \$30m (\$1.5m) and handed them out as direct assistance. In the bleak upland plateau of Puno, Sr Garcia told peasant farmers that their sales of 20m cheques would go towards building small-scale irrigation projects and dams, as well as alpaca fibre production and food crops.

Puno is one of Peru's poorest regions and during his brief term in office, Sr Garcia has stressed the need to devote more attention to rural poverty. Because of Peru's poor infrastructure and rugged terrain, his aim is to boost food production in these areas to increase the level of self-sufficiency via cheap credit, cost-price fertilisers and a fund for floor prices.

Raising living standards is especially important in those areas of the southern Andes where the Maoist guerrilla



group, Sendero Luminoso (Shining Path) is active. Improving rural incomes is just one leg of President Garcia's policy of combating Sendero Luminoso guerrilla activity. He has set out to clean up the armed forces image and ensure that it does not become tainted, as in the past, by allegations of peasant massacres which have undermined the credibility of the security forces.

This week he dismissed Gen Cesar Enrique Fraelli, head of the joint chiefs of staff, after an official investigation implicated the army in killings of civilians in the Ayacucho region of the southern Andes.

A move to decentralise government is linked to this policy of improving rural incomes. As a symbolic gesture, Sr Garcia recently held a cabinet meeting in Cuzco in southern Peru, which approved the first measures of what promises to be a decentralisation of both the administration and state services.

The new Government has endorsed its predecessor's policy of supporting counter trade deals. Creditors have been encouraged to seek payment in goods, especially non-traditional products.

Actions such as these have been consistent with this radical nationalist's electoral pledges. He has also been consistent in following through

with the pledge to limit Peru's debt service payments to 10 per cent of exports. The 1986 budget has earmarked \$320m for debt service when nearly \$5.1bn is due in principal and interest on Peru's \$14bn foreign debt next year.

Peru's international creditors have been informed of this policy and initially Sr Garcia sought to call banks in the country's debt advisory group to a meeting in Lima. However, the banks made it plain they were unwilling to accept this kind of summons to the Peruvian capital. Instead, low level exploratory talks have begun through a delegation to Lima last week.

While Sr Garcia has behaved as expected over debt, he has caused some surprise in his Government's dealings with the foreign oil companies. Two weeks ago, he announced during a provincial rally that the contracts of three foreign oil companies — Occidental, Belpo and Bidas — which produce two thirds of Peru's oil, had been rescinded by decree.

The companies have 90 days in which to negotiate new terms; but the Government also says the companies will have to invest an estimated \$500m which had been deducted on controversial tax credits over the past four years.

Some industry sources hope the measure is mainly for

internal political consumption before the Government gives oil companies promised new incentives to promote exploration. But the emphasis on taxes is reminiscent of the old quarrel with the International Petroleum Company, a Standard Oil of California subsidiary, which was nationalised in October 1968 during the first days of General Juan Velasco's military government.

Petropertu has sent 60 engineers to oversee oil production at Belpo's offshore platform Occidental's jungle fields and at the secondary recovery operations on the northern coast operated by the Occidental-Bidas consortium.

Petropertu also said it would take over the companies' installations if agreement on new contracts was not reached within the 90 days.

The Government, prior to this move, had indicated it was keen to attract foreign investment, especially to promote further oil exploration. The industry is now waiting to see whether the rescission of the contracts was aimed more at winning popular support than against the oil companies themselves.

Belpo, a wholly-owned subsidiary of InterNorth of the U.S. has invested \$58m in Peru since it started operations in 1960; Occidental estimates its gross investment between 1971 and 1984 at \$1.4m.

Domestically, Sr Garcia's

priority is to clamp down on Peru's huge illegal drugs trade and the corruption that has been spawned in its wake. Security forces have begun to mount a joint operation in the northeast jungle in co-operation with the Colombian and the U.S. Drug Enforcement Agency.

The police force is also being cleaned up with a spate of high-level sackings. The latest batch occurred this week with the premature retirement of 126 officers up to the rank of general. The Government has apparently opted for premature retirement as being easier than lengthy, and possibly inconclusive, legal proceedings against those allegedly involved in corruption.

Sr Garcia's moves on the drugs front have to some extent mollified the U.S. Administration, which is concerned by the anti-American tone of some of his statements.

As for the package of austerity measures introduced in early August, it is too early to judge their effectiveness in curbing Peru's galloping inflation. In August, the cost of living index rose 10.8 per cent

the previous month, according to the statistics institute.

However, the authorities hope that this high level of inflation reflects the roll-over effect of price rises in July and 1984 at the Government introduced a price freeze.

Faction claims Duarte kidnap responsibility

BY DAVID GARDNER IN SAN SALVADOR

A LEFT-WING El Salvadoran faction has claimed responsibility for last Tuesday's kidnapping of the daughter of President Jose Napoleon Duarte, the country's U.S.-backed Christian Democrat leader.

The "Frente Pablo Casillo Front" is a hitherto unknown faction named after a 19th century independence hero. It claims to represent over 400 political prisoners in El Salvador and says it is holding Sr Juan Guadalupe Duarte against the release of nine captured rebel leaders.

Although most prisoners are acknowledged members of one or other of the five insurgent armies, grouped in the Farabundo, leaders of the Frente Nacional Liberacion Front (FMLN) have disclaimed all knowledge of the new group. The FMLN, which has been fighting to overthrow successive U.S.-backed governments since 1980, has not claimed responsibility for the kidnapping.

Last month it warned it would spread the fighting to the capital and that Christian Democrat leaders and U.S. advisers to the Salvadoran army, who had largely escaped the savagery of the civil war, were now legitimate military targets.

Sr Duarte, the eldest of President Duarte's six children, has in the past been heavily involved in her father's election

campaign. A top level Salvadoran Government mission was reported to be in Mexico yesterday to talk with leaders of the Revolutionary Democratic Front (FDR), the rebel political arm, in exile, in a bid to secure Sr Duarte's release.

One insurgent political leader resident in Mexico said the delegation was "knocking on the wrong doors." Dr Guillermo Ungo, the FDR president, said from Panama that since his front was not an armed group and did not engage in kidnapping he was no wiser than the Government about Sr Duarte's fate.

The kidnapping has attracted the attention of both the Government and the country and has provoked a surge of sympathy for the embattled president, who has been steadily losing support particularly among his party's trade union rank and file, since his election victory over the extreme right in April.

The Contadora Group of nations — Mexico, Colombia, Panama and Venezuela — which has been seeking a negotiated settlement of Central America's civil wars, issued a joint statement, with the Foreign Ministers of five Central American nations, including Nicaragua, condemning the kidnapping and calling for Sr Duarte's immediate release.

Anti-Sandinista leader may leave rebel group

BY TIM COOME IN SAN JOSE, COSTA RICA

DR ARTURO CRUZ, the head of the anti-Sandinista guerrilla alliance UNO, is on the point of quitting the organisation due to strong political differences with its other leaders, according to close friends.

UNO was formed in June bringing together the main U.S.-backed guerrilla force, the FDN based in Honduras and various factions of the Arde guerrilla movement based in Costa Rica. Dr Cruz was the leader of a civil opposition grouping which refused to participate in last year's elections in Nicaragua.

Dr Cruz, a former member of the revolutionary government, is essentially a political figurehead. The political and military wings of the organisation rest with the FDN whose leadership contains a preponderance of officers and NCOs from the National Guard of the dictator Anastasio Somoza.

Dr Cruz's dissatisfaction is apparently based on his lack of influence within UNO and the presence of figures in its leadership linked to the old dictatorship. He was unavailable for

comment in San Jose. Meanwhile, a Panamanian guerrilla leader who was fighting with the Arde guerrillas in Nicaragua is thought to have been murdered after crossing the border into Panama at the weekend.

Dr Hugo Spadafora, a former deputy health minister under the Torrijos Government in Panama, formed an international brigade in 1978 to help the Sandinistas. But in 1982 he turned against the Sandinistas and began helping rebel leader, Sr Eden Pastora and the Indian guerrilla group Misirrasata to establish a guerrilla front in southern Nicaragua.

He has since fallen out with both groups and last week was talking of establishing his own southern front. He disappeared after crossing the border to Panama but eye witnesses saw him arrested by the Panamanian National Guard.

A decapitated body was later found inside Costa Rica, which preliminary identification suggested was the body of Dr Spadafora.

UN chief calls for peace

United Nations Secretary General Javier Perez de Cuellar yesterday called for a halt to the arms race and fresh global efforts to bring about "a general peace." He made the remarks from the United Nations.

Speaking at a ceremony marking the International Day of Peace and the opening of the 40th session of the UN General Assembly, he said he hoped the coming year would see "progress toward the limitation of nuclear weapons."

The three-month General Assembly session was expected to be dominated by southern Africa and intense pressure by the UN majority to end the arms race.

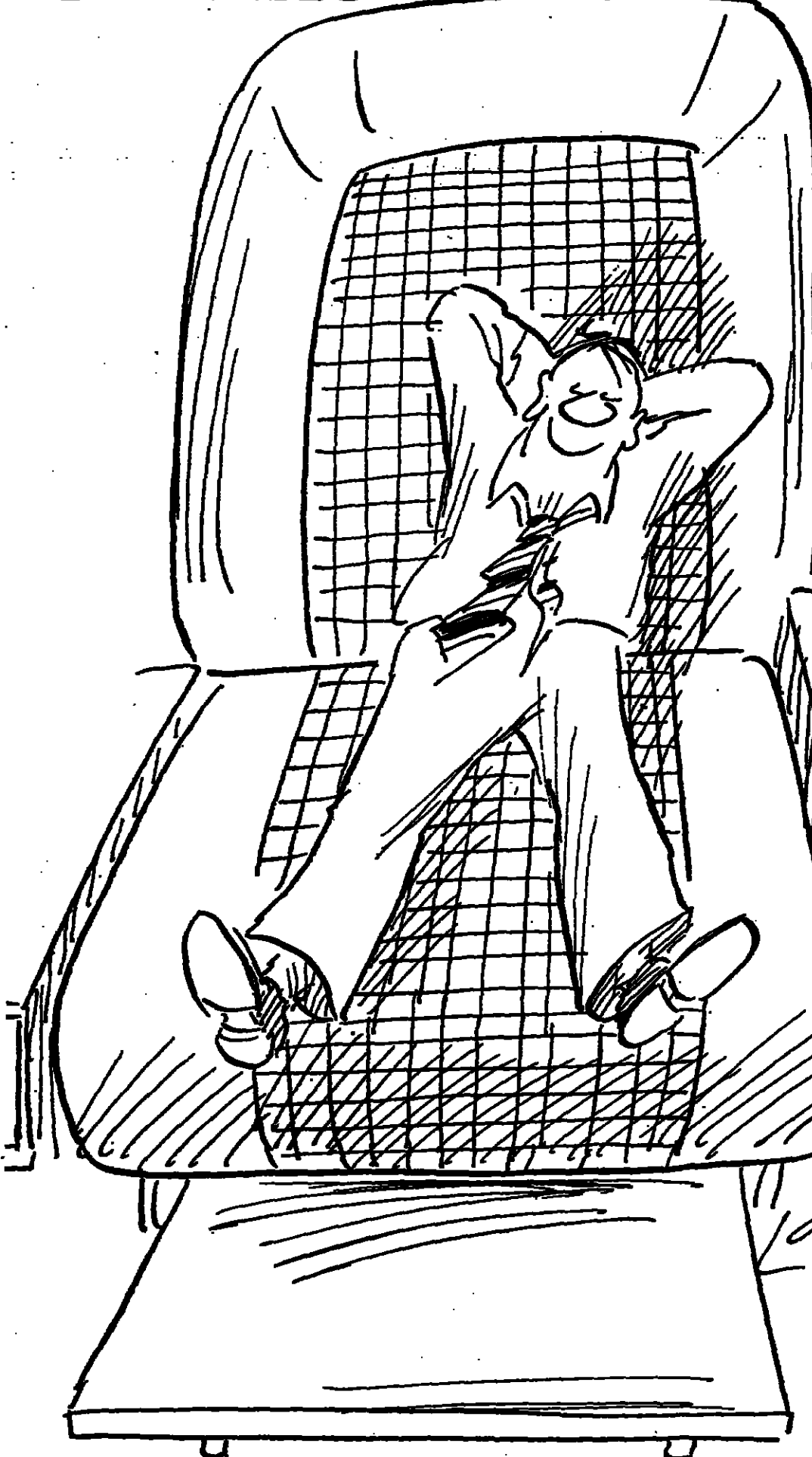
Sr Perez de Cuellar, referring to South Africa, said: "The elimination of unacceptable practices such as apartheid must be assured."

More than 80 heads of state and government are to gather for a session. President Ronald Reagan, who will be attending the Assembly for the 8th time, is due at the United Nations on October 23 and 24.

The Security Council is to hold a meeting at foreign ministers' level on September 26 to discuss its responsibility for maintaining international peace and security.

It will be the first time the Council has met with all the foreign ministers of the member states present.

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WORLD TRADE NEWS

Consortium faces delay on Thai bus contract

BY OUR FOREIGN STAFF IN LONDON

A BRITISH CONSORTIUM led by Leyland Bus faces an uncertain delay in the long-awaited decision by the Thailand Government on a £350m contract to revamp the long-making Bangkok bus system.

Yesterday's resignation by a party in the coalition Government prevented discussion of the deal at a regular Cabinet meeting. The resignation followed last week's abortive coup, in which the party's leader, General Kriangsak Chamanand, has been implicated.

The cabinet was due to consider the recommendations of a special committee consisting of representatives from the Ministry of Finance, and the National Economic and Social Development Board (NESDB). Earlier reports suggested that the committee wanted the project trimmed, a counter-trade agreement and some sharing of economic risks by Britain.

The contract is to supply 4,800 buses, build 20 depots and to reform the management structure of the Bangkok Mass Transit Authority (BMTA). The project also aimed to restore the BMTA to profit and repay its debts.

The consortium, which links Leyland Bus with the National Bus Company and MVA Consultants, reached an accord with the BMTA in May. The Cabinet put the matter out to the committee at the end of July, and the matter was due to be considered on Tuesday of last week.

Last Monday's "bloody coup" attempt intervened, and yesterday's Government changes have brought another delay. As General Prem Tinsulanonda, the Prime Minister, is due to go to the U.S. and Europe next week. The matter may not come up again until next month.

Swiss seek improved export risks coverage

BY JOHN WICKS IN ZURICH

THE SWISS Federation of Commerce and Industry (Vorort) says new ways are being sought to improve coverage of risks on exports to private-sector customers.

Switzerland's official export risk guarantee system (ERG) insures risk only in the case of sales to public bodies or private companies with official guarantees.

Other risks have been covered by policies with private insurance companies which, a Vorort report says, have substantially reduced their activities in this field, after incurring considerable losses.

The federation last year set up a working party to study proposals that ERG should be expanded to cover private bad-debt risks.

Although the working party has drawn up a possible model based on the German Hermes programme, Vorort points out that its introduction would present several problems, particularly in the field of financing and organisation, and a rewriting of the law governing ERG operations.

Stressing the prime importance of sovereign-risk coverage, Vorort has therefore decided not to act on the working party's report for the time being. Instead, it would prefer to come to an agreement with private insurers.

The federation also complains about what it considers to be the evasion by some countries of the OECD guidelines limiting government aid for export financing.

While the 1976 guidelines are seen by Vorort as having reduced state support for export credit transactions, the Swiss body claims the rules can easily be circumvented by the use of mixed credits.

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U.S. trade partners attacked

BY STEWART FLEMING IN WASHINGTON

DR CLAYTON YEUTTER, the U.S. Trade Representative, launched a sharply worded attack yesterday on the economic policies of America's industrial trading partners, describing their resistance to change and sluggish growth as part of the problem.

In testimony in Congress on Democratic Party proposals to impose an import surcharge on imports from countries with large trade surpluses, Dr Yeutter added that "current trade-dampening economic policies of deficit developing nations" were also a source of U.S. troubles.

Dr Yeutter conceded that "the most effective way to lower the trade deficit is to ensure that American industry has a level playing field in the U.S." But he offered no new suggestions on how this should be accomplished now that Congress has balked at enacting

the draconian budget cuts President Reagan has proposed.

The President's expenditure and deficit-reducing budget and tax reform proposals, Dr Yeutter said, are designed to tackle the problem.

Dr Yeutter's remarks came as the Reagan Administration is in the midst of a major re-assessment of its trade policy ahead of a speech President Reagan is expected to give next week outlining the White House's trade priorities.

As expected, Dr Yeutter sharply attacked the import surcharge plan sponsored by leading members of the Democratic Party and seen within the party as a vehicle designed in part to focus attention on what Democrats maintain are the failed economic policies of the Reagan Administration.

Warning that the surcharge proposal "undermines fundamental principles of U.S. trading partners,"

trade imbalance," Dr Yeutter said that if such a plan were enacted the U.S. could expect its trading partners to retaliate because it would be "exceedingly difficult for the U.S. under the GATT (General Agreement on Tariffs and Trade) to justify imposing a surcharge."

He expressed concern too that such a step could trigger a loss of confidence in U.S. economic policy management and a collapse of the dollar on the foreign exchanges.

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Rediffusion books jet simulator orders

By LYNN McLean

REDIFFUSION Simulation, the UK flight simulator manufacturer, has won two orders worth a total of £35m (£15m for jet simulators and £20m for airframe simulators).

The orders reflect growing demand for air transport services across the world and the growth in demand for such equipment that has been created.

The return in demand for flight simulators enabled Rediffusion to create 100 extra jobs at its Crawley, Sussex, headquarters in 1984 and another 100 jobs will be needed this year, Mr Derek Young, the company chairman and managing director, said yesterday.

Rediffusion, part of the Rediffusion group, claims to be the world's largest simulator manufacturer, with CAD of Canada holding most of the balance.

Contracts worth \$14m for simulators have been placed with the company by Federal Express, the U.S. express parcels and courier company which has an annual turnover of \$250m. The second contract has been awarded by Varig, the Brazilian state airline and worth \$11m.

Federal Express said yesterday it would start getting training on its 747-300 in Rediffusion simulators 20 months after taking delivery.

The latest contracts bring the order book at Rediffusion Simulation to 22 aircraft flight simulators, worth a total of £140m. The company's current order book compares with the total of 30 civil aircraft flight simulators sold by all manufacturers in 1980, when the worldwide business reached a peak before falling to a low of eight sales three years ago.

"This is an all-time high in our business," Mr Derek Young, the chairman and chief executive of Rediffusion Simulation, said yesterday.

The company is building simulators for Boeing 737, 747, 767, 777, 787, 797, 800, 810, 820, 830, 840, 850, 860, 870, 880, 890, 900, 910, 920, 930, 940, 950, 960, 970, 980, 990, 1000, 1010, 1020, 1030, 1040, 1050, 1060, 1070, 1080, 1090, 1100, 1110, 1120, 1130, 1140, 1150, 1160, 1170, 1180, 1190, 1200, 1210, 1220, 1230, 1240, 1250, 1260, 1270, 1280, 1290, 1300, 1310, 1320, 1330, 1340, 1350, 1360, 1370, 1380, 1390, 1400, 1410, 1420, 1430, 1440, 1450, 1460, 1470, 1480, 1490, 1500, 1510, 1520, 1530, 1540, 1550, 1560, 1570, 1580, 1590, 1600, 1610, 1620, 1630, 1640, 1650, 1660, 1670, 1680, 1690, 1700, 1710, 1720, 1730, 1740, 1750, 1760, 1770, 1780, 1790, 1800, 1810, 1820, 1830, 1840, 1850, 1860, 1870, 1880, 1890, 1900, 1910, 1920, 1930, 1940, 1950, 1960, 1970, 1980, 1990, 2000, 2010, 2020, 2030, 2040, 2050, 2060, 2070, 2080, 2090, 2100, 2110, 2120, 2130, 2140, 2150, 2160, 2170, 2180, 2190, 2200, 2210, 2220, 2230, 2240, 2250, 2260, 2270, 2280, 2290, 2300, 2310, 2320, 2330, 2340, 2350, 2360, 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UK in move to boost energy equipment sales

By Our Trade Editor

THE British Government is sponsoring efforts by businessmen to increase their sales of energy equipment to three African countries.

Mr Alastair Goodlad, junior energy minister, is leading a high-level business mission to Botswana, Zimbabwe and Angola this week.

The companies represented will be NEL, Babcock Power, GEC Transmission and Distribution Projects, British Electricity International (the foreign marketing arm of Britain's state electricity industry) and Ruston Gas Turbines.

The mission will be studying commercial opportunities in coal mining and offshore oil as well as electricity generation and transmission.



These two told us what we could do with our components.

On the left is Stuart Wood and on the right Brian Passmore.

We first met them at the National Exhibition Centre over a year ago.

"Excuse me," Stuart said, "but we are very interested in your equipment and we have some ideas..."

We pricked up our ears.

Stuart and Brian, two electronic engineers running their own control systems manufacturing company in South Wales, pointed out that our frequency inverters could be combined with other components in an enclosure to create a useful new product.

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Today we are doing business together.

We tell you this because we want to tell you something else.

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Last year our factory at Haddington,

20 miles from Edinburgh, where we make colour television sets, exported no less than 20% of its production to West Germany, Switzerland, Benelux, Portugal, France and Ireland.

This factory is now the town's major employer.

Then there is our newer factory producing VCRs at Livingston.

Here we employ 200 workers, nearly all of whom are recent school-leavers. Half of our 1984 production was exported and this year we're looking for that to increase to 66%.

Not a bad record, is it, for a company that has existed in Britain for only eight years?

From our very first weeks in operation we have pursued a three-part approach.

To import what the British market wanted, as opposed to what we wanted to import.

To invest in manufacturing facilities which make economic sense and in British staff (currently over 95%) and in British know-how.

And to offer ourselves as partners in co-developments which are profitable to British businesses as big as British Telecom

International and as small as that run by Stuart and Brian, as well as to ourselves.

Our chairman, Sir Peter Parker, puts it this way: "High technology has made the world a global village ... this village will only prosper if people realise that fact and grow from it."

Of course, we are part of Mitsubishi Electric Corporation, one of the world's leading and most experienced electrical and electronics manufacturers.


Mitsubishi produce everything from semi-conductors to satellites, from car radios to computers.

We invite you to find out more by writing for our recently published report on our activities.

It's yours free for the asking. Just write to Steve Crowther, Mitsubishi Electric (UK) Ltd, Hertford Place, Maple Cross, Rickmansworth, Herts, WD3 2BJ.

Or alternatively, if you think we could do business together, give him a ring on 0923 770000.

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And not least - it is just as beautifully quiet inside.

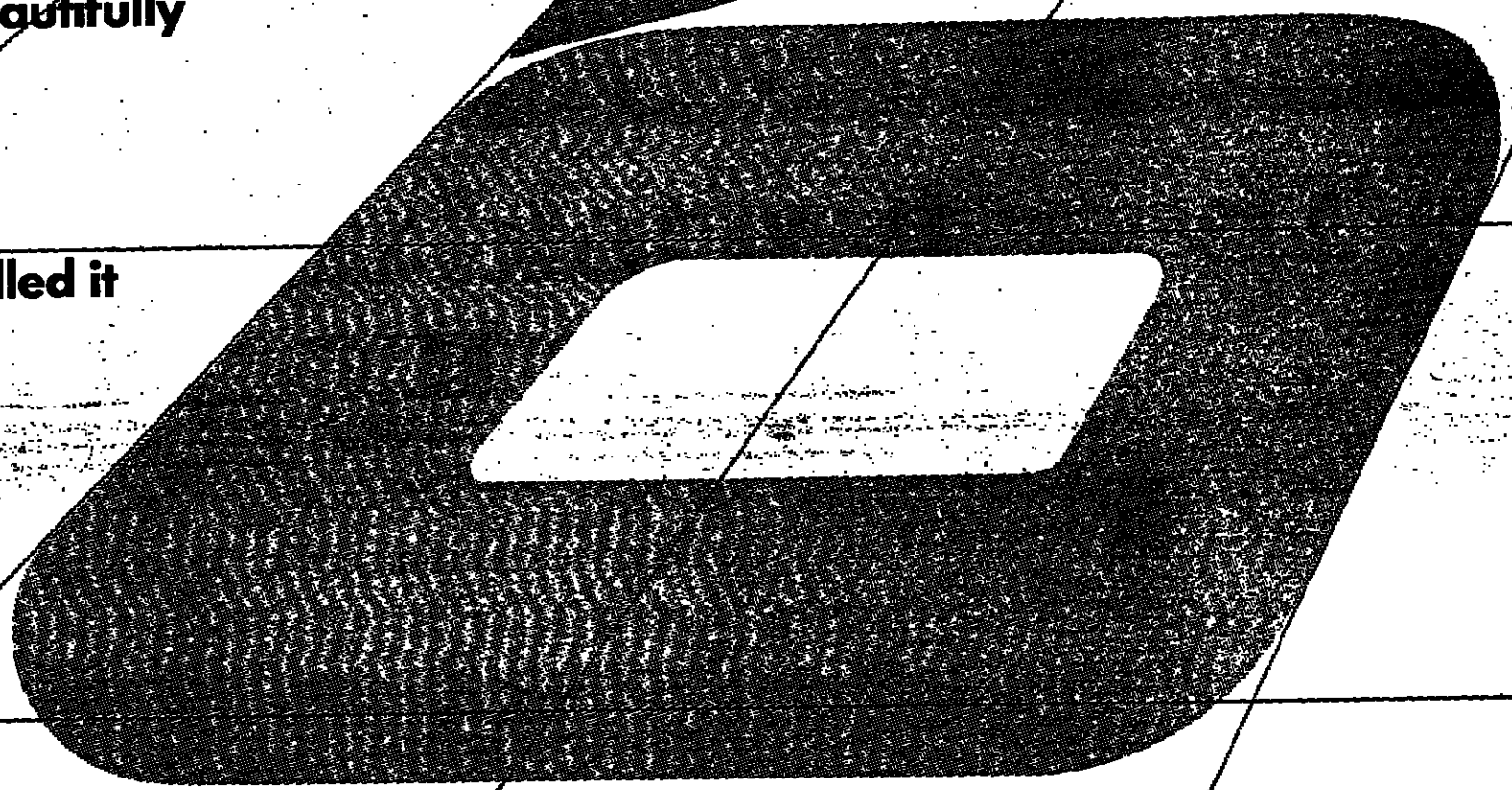
We call it an Estate.

Although that doesn't give you the whole picture.

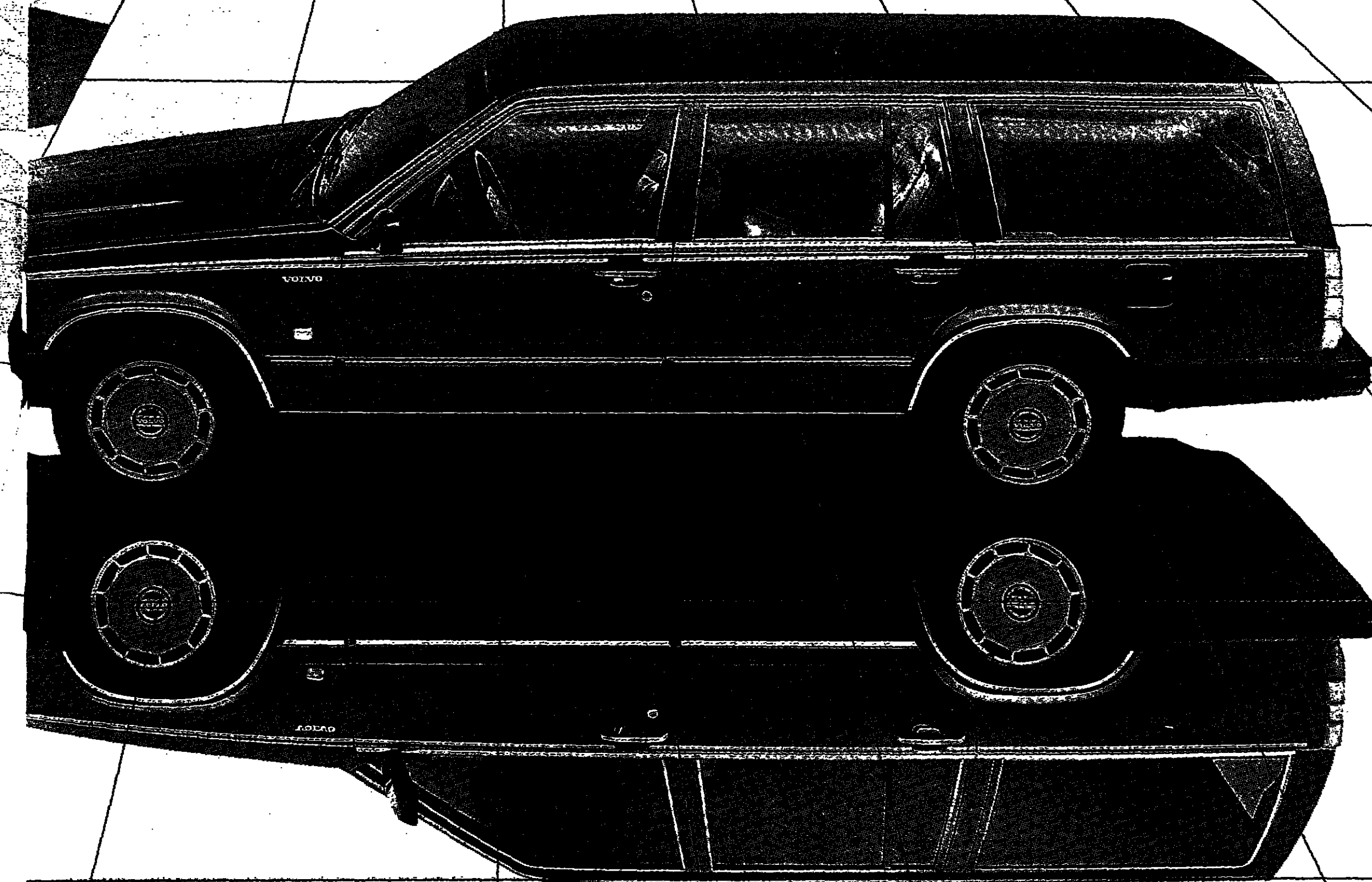
Perhaps we should have called it a five-door luxury sedan.

You name it.

Whatever you call it, it's your declaration of independence.



The picture shows a 760 GLE Estate. The new Volvo Estate Car line being launched with specifications that vary from market to market. They are available in the 760 and 740 series. The 760 GLE Estate is shown in the picture. It is a five-door car. The average life expectancy is 20.7 years, according to the Swedish Motor Vehicle Inspection Board.



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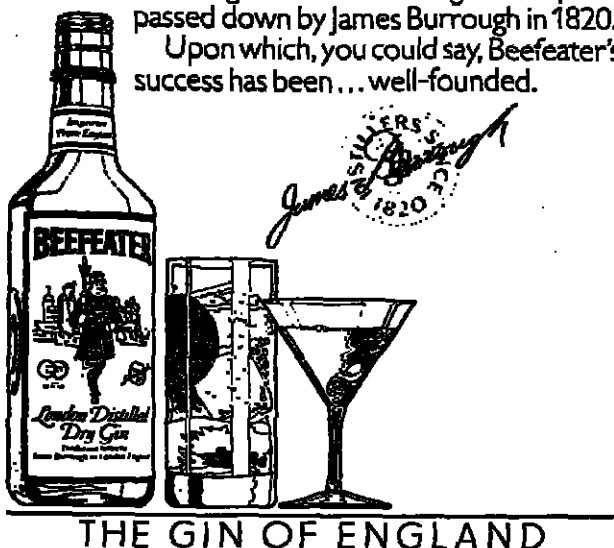
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Tel: (211) 719011. Tlx 17211-4062.

Trials to begin on alternative fuels

By Maurice Samuelson

THE NATIONAL Coal Board (NCB) is hoping to collaborate with a group of major industrial companies to develop new coal-based fuels capable of replacing dearer fuel oil in large industrial boilers.

With Babcock Power, Foster Wheeler and Elf-Aquitaine, France's state-controlled oil company, the NCB is planning a £5m pilot plant in the Midlands.

It would examine the potentialities of two rival systems for handling coal in fluidised form - either as a very fine dry powder or as a powder suspended in water.

Coal water mixtures are at present being commercially produced in the U.S. and Sweden, but several of the companies who have looked at them are said to have invested in the idea without success.

Mr Ian MacGregor, NCB chairman, is, however, understood to be enthusiastic about the idea and the pilot plant would develop a process proposed by Babcock Power.

The plant will also examine the commercial potential for very fine powdered coal as a result of successful trials at a Courtlands plant of a U.S. process for which Howden of Glasgow owns the UK patent.

The main difference between the two schemes is that whereas coal water mixtures could be manufactured at the coal mine, the powdered coal, which is far finer than that blown into power station boilers, is so inflammable that it would have to be milled at the place where it would be used.

The NCB has offered a site for the pilot plant alongside Rufford Colliery, Nottinghamshire. It would initially produce up to 50,000 tonnes a year for market assessment.

It would be largely funded by the NCB and by an EEC grant. Northern Engineering Industries, the Tyneside-based boiler makers, may also be involved.

According to the NCB, there could be a market for at least 2m tonnes a year of powdered or water-mixed coal.

THE SOCIAL DEMOCRAT/Liberal Alliance will shortly launch a major fund-raising appeal to industry after recent signs of increased interest from the chairmen of a number of large public companies.

Mr David Steel, the Liberal leader, and Dr David Owen, the Social Democrat leader, will send a joint letter which will be followed up by a 45-minute presentation by senior Alliance figures to boards of companies expressing interest.

The letter will argue that the Alliance is now clearly established as a major third force with a good chance of sharing in government after the next general election, and that only the Alliance can prevent the return of a Labour government.

This approach will be paralleled by renewed attempts to open discussions with the trade union leaders after recent rebuffs. A resolution calling for the initiation of such discussions on Alliance policy will be debated tomorrow at the Liberal

Party's annual assembly in Dundee, Scotland.

The Liberal assembly yesterday opened in a businesslike way with scarcely a hint of the rebelliousness and eccentricity of previous years.

Mr Steel sought to increase the Alliance's credibility by calling on other party leaders to hold talks before the next general election about how a government might be formed if no party had an overall House of commons majority.

In a later television interview, he said the Alliance would vote against the Queen's Speech to parliament if it did not include proposals for proportional representation.

Mrs Shirley Williams, the SDP president, said that in any such talks the Alliance would insist upon constitutional reforms, action to reduce unemployment, strengthening the EEC and joining the European Monetary System. It would press for major cuts in strategic arms limitation talks at Geneva, for a com-

prehensive nuclear test ban and a ban on chemical weapons.

Alliance leaders report an increase in interest from industry after the improvement in its opinion poll ratings and because of industry's fears of a left-wing Labour government.

Mr Anthony Jacobs, the Liberals' joint treasurer and chairman of the British School of Motoring, which is a large donor of funds to the party, said that a number of boards of directors was considering donations which would not previously have done so.

The joint Alliance fund has been recently receiving donations of about £50,000 a year from both individuals and companies.

Mr Jacobs said he expected this to rise to around £75,000 a year by the end of 1985. This money is used to finance party political broadcasts and joint campaigning and research projects.

Among groups which have given either to the joint fund or to both Alliance parties equally are Tate &



Shirley Williams: wants EEC strengthened

Lyle, Morgan Crucible, SGB Group, Pearson, the owner of the Financial Times, as well as a number of insurance companies.

The hope of Alliance fund raisers is that by playing on fears of a Labour government, they will be able to get business to hedge its bets.

Unity urged in run-up to general election

BY KEVIN BROWN

RANK AND FILE Liberals were warned by Alliance leaders yesterday that even damaging disagreements, even on minor issues.

Mrs Shirley Williams, the Social Democrat president, won a standing ovation at the Liberal assembly for a speech in which she claimed controversy over relations between the Alliance parties was a reflection of the Alliance's potential electoral success.

Her views were echoed by Mr David Penhaligon, MP, the new Liberal president, who warned that those who sought success for one part of the Alliance at the expense of the other were among the few friends the Conservative Government still had.

Mr Alan Watson, the retiring Liberal president, and Mr Paul Tyler, the party chairman, also delivered appeals for visible Alliance unity in the run-up to the next general election.

The renewed concern with unity follows speculation at the SDP conference last week about personal difficulties between Dr David Owen, the Social Democrat leader, and

Mr David Steel, the Liberal leader. There was also controversy over a leaked report by Mr William Wallace, an adviser to Mr Steel, which described SDP leaders as "wasting assets."

Mr Wallace was given a rousing reception when he addressed delegates yesterday. He said the leaked report was out of date, and insisted that relationships between the policymakers of the two parties were now harmonious and fruitful.

Mrs Williams, making an address on behalf of the SDP, said the Alliance was a serious contender for government and should expect close scrutiny in the next two years. Any rift, however small, would be magnified into a confrontation or major clash of principle.

Mrs Williams said critics should look at the evidence of partnership between the two parties in practice - the 23 county councils where the Alliance held control or the balance of power, and the nearly 600 parliamentary constituencies where agreement had been reached on the choice of general election candidates.

Mrs Williams said the confrontational politics of the Government and the Labour Party were sacrificing the welfare, prospects and safety of the British people to the politics of dogma, division and despair.

Mr Penhaligon said the Alliance performance in the last general election and in the county council elections in May showed that a single political force was being created which would be a force to be reckoned with. But he warned that there could be no success for one half of the Alliance without the other.

The assembly rejected calls to leave the European Liberals and Democrats (ELD) - the umbrella grouping of EEC Liberal and Radical parties.

Mr Chris Wilding won substantial support for complaints that a number of ELD members had adopted policies which were fundamentally incompatible with the British Liberal philosophy.

The ELD manifesto (policy programme) for the last European parliament elections was a deeply

monetarist document of which Mrs Thatcher would have been proud, he said.

The ELD was defended, however, by Sir Russell Johnston, leader of the Scottish Liberal Party, who urged delegates not to be "beguiled by the lures of insularity and nationalism."

Party leaders also made clear in documents distributed to delegates that leaving ELD would cost the Alliance substantial sums of money.

Delegates approved an amendment moved by Mr Michael Stead, a former Liberal president, urging the party to remain within the ELD elected Liberal MEPs were able to explore the possibility of political realignment in Europe.

The assembly voted overwhelmingly to oppose British support for President Ronald Reagan's Strategic Defence Initiative.

Mr Jim Wallace, MP, the Liberal defence spokesman, said President Reagan's scientific advisers were among the few who believed the "star wars" system could provide a 100 per cent effective protective umbrella against nuclear attack.

Call for Liverpool strike faces uncertain response by unions

BY RICHARD EVANS

LIVERPOOL trade unions were in considerable confusion yesterday after a call from leaders of the city council's 30,000 workers for an indefinite strike from next Wednesday.

The Labour-controlled council, racked by a budget crisis that threatens bankruptcy within weeks, has backed the unanimous vote of council workers' leaders for strike action in protest at the Government's refusal to grant or loan extra money to the city. The affected workers are represented by 11 unions.

The local executive of Nalgo, representing the city's 6,300 technical, administrative and clerical workers, decided yesterday to reverse an earlier decision and to support the strike call. But many Nalgo members were insisting that they would

not be voting in favour of the strike at mass meetings due in the next few days.

The National Union of Teachers firmly opposes strike action but its hands might be tied if, as expected, school caretakers - members of the General and Municipal Workers Union - refuse to open the city's 300 schools.

The strike call is certain to bring confrontation with the Government closer.

Mr Kenneth Baker, the new Environment Secretary, confirmed yesterday that he had rejected the application from the council for a £25m loan to meet the budget shortfall. He also refused a council request for a meeting.

"I have turned down borrowing consent because it would be com-

pletely out of line with proper financial practice and because it would simply make Liverpool's bad financial position even worse," he said.

He had turned down a meeting because the remedy for Liverpool's financial difficulties lay clearly with the council and not with the national taxpayer.

"Let nobody be fooled by Liverpool's propaganda. They must live within the same financial rules as everyone else," he added.

Later, speaking on BBC radio, Mr Baker attacked the city's leaders for their "stubborn refusal to face reality" and for holding a pistol to the head of the Government. In his view, to allow the authority to borrow money would make 1986 "a real disaster year for Liverpool."

Moderation in pace of public sector borrowing

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE PUBLIC Sector Borrowing Requirement for the first five months of the financial year was £4.6bn, some £2.5bn less than at the same time in 1984, the Treasury said yesterday.

The latest borrowing figure appears to have encouraged officials to believe public borrowing can be somewhere near the £7.5bn target figure by the end of the financial year.

Last year's borrowing, inflated by the effects of the miners' strike, came out at £16.2bn in the year to March, compared with a target of £7bn.

This year, spending is running ahead of its planned rate because of higher than expected inflation, but the indications so far are that the excess will be absorbed by the Treasury's substantial reserve of £5bn.

Although spending in the first five months of the year is more than half the planned total, the public sector usually achieves low borrowing figures or surpluses in the tax-paying season towards the end of the year.

One of the main uncertainties facing the Treasury is the borrowing behaviour of local authorities, which has varied wildly, even in the last month of the financial year. In August, the local authorities increased direct borrowing from the Government by £1.05bn after four months in which the average rise was only £150m.

This sharp increase in borrowing from the Government appears to have been used partly to pay off loans to the non-bank private sector.

Thatcher condemns Alfonsin meeting

MR NEIL Kinnock, leader of the Labour Party, was criticised yesterday by Mrs Margaret Thatcher, the Prime Minister, for his decision to meet President Raul Alfonsin of Argentina, write Robert Graham in London and Roger Matthews in Cairo.

The Paris meeting today will be the first formal contact by a senior British politician since the 1983 Falklands conflict. It was arranged in secrecy under the auspices of the Socialist International and was announced late on Monday after Mrs Thatcher had left for a tour of the Middle East.

From Cairo Mrs Thatcher condemned the meeting because Argentina had not formally declared an end to hostilities. The people of the Falkland Islands would be "deeply upset."

She said that there had been no reciprocal response to Britain's unilateral decision in July to resume trade links.

Mr Kinnock said: "Silence serves the interests of no one, least of all the Falkland Islanders." He intends to discuss all outstanding issues, which should include sovereignty.

BRITISH AEROSPACE (BAe) is to lead a seven-nation consortium in feasibility studies for a new short-range missile designed to counter radar threats on the battlefield.

The consortium is made up by BAe, the BDM corporation of the U.S., AEG of West Germany, Holland Signaalapparaten, Philips and MBLE Associated of Belgium, SNA-SPD of Italy and Canada's Garrett Manufacturing. The missile is intended to meet a Nato requirement for the self-defence of aircraft against hostile ground-based air defences. The study is expected to last 15 months and will cost \$10m to \$15m.

MAIL order businesses are in decline. This is the conclusion of a survey by the Mintel market research group.

The group forecasts that the decline will continue. The share of sales by mixed retailers accounted for by mail order fell from 21.7 per cent in 1980 to 18.2 per cent last year.

Mail order companies have also lost market share in consumer credit business, from 64 per cent in 1980 to 61 per cent last year. Easing of restrictions on consumer credit caused the decline, Mintel said.

NINE mineworkers in Scotland who were dismissed by the National Coal Board during the year-long pit strike which ended in March have been told by the board that they may have their jobs back. The board said it planned to review the cases of all 204 miners in Scotland who were dismissed for various offences during the dispute.

TI Machine Tools is to take on further workers at its Coventry factory as a result of overseas orders. It said it had won £750,000 worth of orders from three U.S. companies for thread grinders and lathes. TI's order book is 50 per cent higher than at this time last year.

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UK NEWS

Discovery by Arco in N. Sea 'hot spot'

By Dominic Lawson

ATLANTIC RICHFIELD (Arco) the U.S. oil company, has made a promising oil and gas discovery in Block 28/18A in the UK sector of the North Sea, about 150 miles east of Aberdeen.

The well tested three zones, the best of which flowed 32m cubic feet of gas a day and 4,000 barrels of very light oil a day. The discovery highlights quadrant 28 as the present North Sea 'hot spot', with a number of oil companies now drilling in the area after many years of inactivity.

Last week Premier Cymru Oilfields, the UK oil exploration company, found an oilfield in block 28/18B, a few miles to the south east of Arco's find, which flowed more than 9,000 barrels of oil a day from two zones.

Meanwhile, Ranger Oil of Canada is drilling a well on block 28/18B, adjoining the Arco find, which is believed likely to yield a gas discovery.

Arco plans further drilling to establish the size of its discovery. Oil analysts speculate that it may contain up to 1 trillion (million million) cubic feet of gas and 50m barrels of very light oil.

Arco, Esso and Shell each have a 25 per cent stake in the discovery. Mobil has 18.5 per cent, Norsk Hydro has 9 per cent and Monmouth Oil and Gas of the US has 4.5 per cent. Yesterday Monmouth's share price dropped 1p to 17p.

British Petroleum should use up to three 'initial tankers' costing around £10m each to transport oil from its Wylfa Farm oil field in Dorset to refineries at Fawley near Southampton or Rotterdam, the Poole Harbour Commissioners said yesterday.

The Wylfa Farm oilfield spreads into Poole Harbour and the commissioners are concerned that other means of transporting up to 80,000 barrels a day from the UK's largest offshore oilfield would be less beneficial to the area.

Conoco of the U.S. has made a big oil find off central Norway. The third well on Norwegian block 6307/7 yielded 5,485 barrels of oil and 63,000 cubic metres of gas a day from the best test.

Talbot blames large loss on Iran problem

By JOHN GRIFFITHS

TALBOT UK, the British subsidiary of the French Peugeot group, made a sharply increased net loss of £1.1m in the first half of this year which it attributed to problems with the export of Peugeot car kits to Iran.

The company, which lost £1.9m in the same period last year, said yesterday that it had reached a new agreement with Iran after making no shipments during the accounting period to the end of June.

Since then 35,000 kits worth £70m had been shipped. The contract should be worth up to £120m for a full year.

The agreement would produce a return to profitability for the second half although there would still be a loss for the full year because of the launch of the C28 medium car which is to be put into production at Ryton next month.

Talbot is understood to have received sufficient funds in letters of credit from Iran to cover the kits just sent and to keep its Stoke plant in production for several weeks.

Previously, no kits had been shipped to Iran since last November. The business has been interrupted several times as a result of the Iran-Iraq war, but the latest hold-up was caused by difficulties with a complex oil counter-trade agreement.

For the first half of the year, turnover was down to £228.96m (£266.4m). Gross profit fell to £41.42m (£52.5m). The operating loss was £3.38m (1984 profit of £2.8m). Interest charges rose to £3.2m (£4.0m). An exceptional credit of £247,000 compared with debit of £282,000 in the same period last year.

Channel Tunnel Group plans roll-on terminal

By ANDREW TAYLOR

A NEW roll-on-roll-off rail terminal capable of carrying up to 650 cars and 100 lorries an hour could be built on a 350-acre site at Cheriton, south-east Kent if plans to build a Channel Tunnel are approved by the British and French governments in the near future.

Channel Tunnel Group, a consortium of British and French construction companies and British Rail, yesterday unveiled further details of its plans to construct two single-track railway tunnels, more than 31 miles long at an average depth of 130ft (39.6 metres) beneath the sea bed.

Channel Tunnel Group, is one of several Anglo-French consortia vying to build a fixed-link across the Channel. Detailed financial and technical submissions have to be made to both governments by the end of next month.

The construction of a twin-bore rail tunnel with a smaller diameter

connecting, service tunnel, would involve a significant increase in rail facilities in south-east Kent according to preliminary studies into the environmental impact of the scheme published yesterday by Channel Tunnel Group.

It reveals that the UK end of the tunnel would start at Holy Well just west of Folkestone, passing under Shakespeare Cliff before heading towards the French coast. Construction would involve the production of 226m cubic ft (6.7m cubic metres) of waste matter to be disposed of in the UK and France.

There are also plans for British and French customs, health and immigration facilities to allow one-stop customs checks for passengers travelling from the UK to France. Similar provisions would be made in France for passengers travelling in the opposite direction. No decision has been made yet on whether duty-free shopping might be permitted at the terminals.

Renault expects profit in UK

By Kenneth Gooding, Motor Industry Correspondent

RENAULT's subsidiary in the UK broke even last year and will make a small profit in 1985, M Guy Bergeaud, the managing director, claimed yesterday.

In 1983 Renault UK suffered a £4.6m net loss on a turnover of £287m. Since then, however, the company has rapidly built up sales of its Trafic and Master vans and this year its penetration of the British new car market has improved following the launch of the new RS and the top-of-the-range R25 models.

M Bergeaud said his company was making progress on all fronts - the parts and component business was also doing better - so that turnover reached about £460m last year and would top £500m in 1985.

Renault UK at the beginning of this year expected to sell about 87,000 new cars but delays to the introduction of some models had caused it to scale down expectations to between 84,000 and 87,000, he said.

Last year the company's registrations reached 55,779 for a market share of 3.2 per cent compared with 62,923 and a 3.51 per cent share in 1983.

The company forecasts the new car market in the UK will reach 1.7m this year so, if it achieves its sales objectives, it will lift its penetration to between 4.7 per cent and 4.9 per cent.

M Bergeaud pointed out this was in line with Renault UK's target of gaining a profitable 4 to 5 per cent of the market.

Renault van sales this year would total about 14,000, up from 7,233 in 1984 and double the 3,948 in 1983.

It is launching its first diesel car in the UK, a version of the Regalia saloon. The move is described by M Guy Bergeaud as a 'one-in-the-water' exercise as a result of the swift growth in total UK diesel cars since 1982. It expects to sell 450-500 in the first year.

Laura Ashley, creator of textile design group, dies aged 60

By CHRISTOPHER PARKES AND JAMES McDONALD

MRS LAURA ASHLEY, deputy chairman of the international textiles, clothing and furnishings group which bears her name, died yesterday, 10 days after her 60th birthday.

She had been in an intensive care unit at a Coventry hospital since a fall down stairs at her daughter's home in the Cotswolds on September 8. She never regained consciousness.

Mrs Ashley and her husband Bernard, the group's chairman, set up the company in 1953 with fabric printing on a table top at their London home. The group today has 11 factories, almost 200 shops worldwide and consolidated annual sales of £112m.

Mr Peter Phillips, financial director, said yesterday that Mrs Ashley's death was not expected to affect the plans to seek a full listing of the company's shares on the London Stock Exchange by early spring next year. There would, however, be discussions with the company's advisers.

The newest and largest Laura Ashley shop was due to open today in London's Oxford Street, but this has been postponed for a week as a mark of respect.

In the development of the company, Mrs Ashley concentrated on the design and management philosophy, while her husband, with a team of professional managers, have been responsible for most of the financial and industrial decisions.

Mrs Ashley designed all the early clothing and fabric patterns on which the company's reputation for quality products and a romantic and nostalgic style was built.

Since 1980, when her son Nick became design director, she travelled widely in search of ideas while still continuing to vet all patterns. She contributed a home furnishings collection every year.

Mrs Ashley's impact on management style was equally strong. Her Welsh Baptist background and affection for family life prompted her to forbid night shifts at the company's factories. All workers - mostly women - end their week at lunch-time on Fridays to ensure a restful weekend.

Partly because of this 'maternalistic' style, staff turnover at the



Mrs Laura Ashley: from fabric printing on a table top to an international company with annual sales of £112m

group's main factories near its headquarters at Carno, Powys in Wales, is exceptionally low at only about 2 per cent a year.

Redundancies have been unknown. Any of the 4,000 workforce displaced by automation, for example, are retrained for other work in the company.

Mrs Ashley was understood to have been uneasy about the plans, announced in July, for the stock market flotation. Her husband Bernard said recently that Kiewit Benson, the bankers handling it, had been asked to work out a scheme which would allow the workforce to take part in the flotation 'on favourable terms'.

About 10 per cent of the stock is expected to be vested in the Ashley Foundation, a charitable trust set up mainly to benefit children and medical causes.

The success of Laura and Bernard Ashley brought them a private aircraft and a yacht, a chateau in France and a mansion near Maidenhead, Berkshire. It also caused them to go into temporary tax exile in New York and, more recently, the couple spent much of their time at their home in Brussels. Earlier this year, Mrs Ashley said she had no plans to retire.

A company official said yesterday: 'Mrs Ashley set many standards for us all through her designs. We are fortunate that the organisation she leaves behind, which she and her husband established, is capable of maintaining those standards.'

'We have every intention of continuing the success story, which she started, under Mr Ashley's leadership.'

A tribute to Mrs Ashley came yesterday from Sir Terence Conran, chairman of Habitat, Mothercare and another leading British designer.

'Their business has developed alongside ours in all parts of the world and Laura has been the inspiration behind that business,' he said.

'The interesting thing is to look at the way the Laura Ashley style has developed and never stood still - always up to the moment, always full of new ideas, always appropriate.'

Sir Terence added: 'She has been one of the real contributors to the resurgence of design and style in postwar Britain, and enhanced Britain's reputation around the world.'



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ENERGY BLUEPRINT

PLANNED EFFICIENCY AND ECONOMY IN THE USE OF ELECTRICITY.

Nothing fishy about these heat pump benefits.

It might not sound like the ideal place for a new office block with a pleasant working environment: alongside the fish docks in Hull.

However, inside the two-storey building of Billy Boy Frozen Foods there is not a trace of a fishy aroma. This was just one of the benefits of the company's insistence on a well-insulated, all-electric building with air conditioning provided by a system of modular heat pumps.

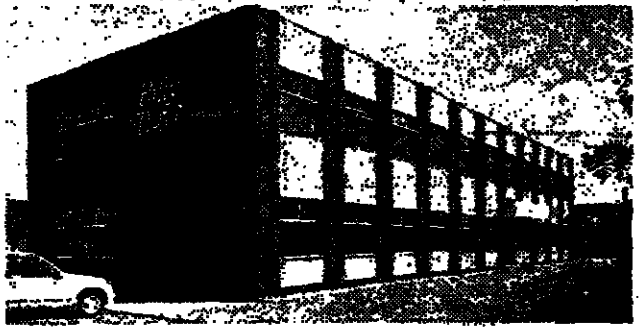
Billy Boy, a thriving frozen food company whose main line, naturally enough, is fish, is operated by F. Snayles & Son (Fish Merchants) Ltd. When the company found it needed to expand, it decided to build a new office block opposite its existing factory.

A water-to-air heat pump

system was chosen for its ability to maintain comfortable working conditions in all areas of the building, through individual heat pump units in each office.

Moving heat around

Installed in 1982, the 24 reverse



cycle heat pumps are highly energy-efficient, collecting excess heat from rooms with high concentrations of people, lighting or office equipment, or in direct sunlight, and transferring it to cooler areas. A circulating water system, maintained at 21°C, is used to move this recovered heat around the building as required.

If total heat exceeds requirements, it is rejected by a cooling tower. If there is insufficient heat, a small electric flow boiler comes into action.

Simple controls on each unit allow the selection of heating, cooling and air flow to suit individual requirements.

A separate forced air system provides fresh, filtered air and pressurises the building - keeping out any unwanted reminders of the fish docks outside.

Snayles is highly pleased with the pleasant environment created, and delighted with the operating costs, which are below those for which it had budgeted. For further information, tick box number 1.

Country club's welcoming atmosphere is all-electric.

The varied amenities of Frank Gannon's country club at Netherthorn, Cumbria, create widely differing environmental requirements. The solution chosen to meet them is all-electric.

Frank decided to build his country club to provide rainy-day facilities for holidaymakers and visitors at his caravan park, where there was already a restaurant and discotheque.

Using local, natural materials such as wood and stone, he created the Village Country Club from two old barns and a potato shed.

Its amenities include dancing, swim-

ing, a sauna, squash, a solarium, a jacuzzi and recreation rooms.

The problem of how to meet the very different environmental conditions was solved by installing an all-electric combination of heat pumps, dehumidifiers and storage heaters.

The main lounge and bar is linked by ducts to a roof-mounted air-to-air heat pump controlled by a time clock and a sensor to maintain the desired temperature.

Sauna savings

The sauna and changing areas need a higher temperature of 24°C and a change of air seven times an hour. The warm air extracted from these areas is directed across the external coil of the heat pump and mixes with fresh air, reducing its temperature. This enables running costs to be reduced even further.

Each of the recreation halls is conditioned by a split-system heat pump. The high level fan coil section is connected

by insulated refrigerant pipework to the condenser unit on the flat roof. Each unit is independently controlled from a programmable controller, allowing conditions to be altered according to room usage. Each squash court has a high-level dehumidifier on an outside wall to prevent condensation.

The high rate of evaporation from the swimming pool and jacuzzi produces very high humidity. Air is extracted from the pool hall at a high level and ducted to the heat pump, where it is mixed with fresh air, cooled and dehumidified, and then reheated and returned to the pool area. The jacuzzi pool water is heated by an electric flow boiler predominantly on night-rate electricity.

The reception area is kept warm and comfortable by two storage heaters.

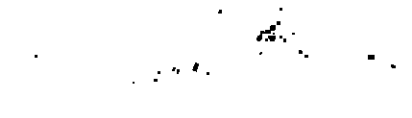
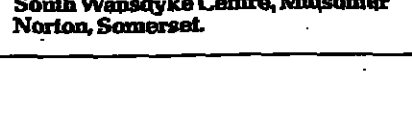
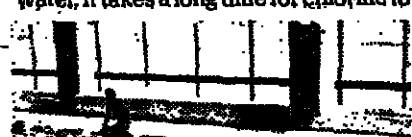
The welcoming atmosphere provided by this all-electric system means the whole leisure complex attracts visitors all year round.

For further information, tick box number 1.

OZONE: A fresh approach to swimming pools.

Electric ozone treatment is making indoor swimming pools much fresher, cleaner places, free from the taste, smell and irritation of chlorine.

The strong smell and eye irritation of chlorinated pools comes not so much from chlorine itself as from the effect created as it attacks pollutants in the water. It takes a long time for chlorine to



deal with some of these pollutants, and the mere polluted pool, the more difficult it is to maintain an environment attractive to swimmers.

When ozone is used as the main disinfectant, less chlorine is required and odours are eliminated.

Duplicating nature

Ozone is an activated form of oxygen and thus a powerful oxidising agent. In a typical system, ozone is produced by drying air and passing it through an electric discharge, duplicating what happens in nature during a thunderstorm.

At the start of ozone treatment, a mixture of ozone and water is maintained in a contact vessel for two minutes to ensure complete disinfection. Any surplus ozone in the water is then removed by a degassing layer. For new pools, a mixed-bed filter combines this process with conventional water filtration in the same vessel, thereby saving space and capital cost.

After removal of the ozone and before the treated water is released, a small dose of chlorine is added to deal with any pollution occurring in the pool.

Because all the chlorine-derived irritants are removed every time the pool water passes through the ozone plant, there is no build up of irritants in the pool itself. So, when the chlorine is added to the water it does not cause smells or eye irritation.

As well as making pools cleaner, clearer and healthier for swimmers, ozone treatment can also mean significant advantages to the pool operator. The pleasant environment usually leads to higher pool attendances and hence increased revenue.

Cost savings, too

But it's in the potential for major energy savings that the real cost benefits lie. The absence of chlorine smells in the pool hall air allows up to 80% of the heated air to be recirculated and dehumidified by electric heat pump, reducing the amount of fresh air which has to be heated and putting costs by up to 50%.

Both new and existing indoor swimming pools could benefit in this way - and make themselves more popular with swimmers in the process.

For further information, tick box number 2.

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UK NEWS

BA tries to match holiday leaders

By Arthur Sandles

BRITISH AIRWAYS has declared its intention of matching the package tour market leaders Thomson and Intasun by holding down prices for much of its 1986 summer business.

It said its Enterprise summer sun programme for next year would have a zero average price rise - about half the holiday prices would be reduced - and capacity would be increased by up to 20 per cent.

Mr Terry Grew, managing director of BA Holidays, which claimed to have overtaken Horizon and Cosmos to become the third largest tour operator in Britain, said: "We are not satisfied with being third. We have the resources and are determined to close the gap."

This declaration must be seen against the prospect of the privatisation of British Airways and speculation that the tour operations, which are managed as a free-standing unit, could be sold separately.

It would seem that BA would have to double its tour activities to match Thomson and Intasun, which both carry well over 1m passengers a year.

BA is looking for a 20 per cent increase from Enterprise, which is its mainstream brand. Its Sovereign programme will be published later this month and Martin Rooks, a direct selling operation, will also launch soon.

Enterprise is the first major move to launch its programme for next summer and BA believes that it will set the pace. "We predict that our rivals will be forced to follow suit with low prices for next summer, which should result in a healthy 10 per cent increase in the market."

The brochure indicates that next summer's holiday prices will be the same or perhaps cheaper than this year but prices for Greece and Yugoslavia will rise - some times substantially.

Enterprise has tripled its apartment rental capacity and introduced new destinations in the Greek islands and Yugoslavia. It is also introducing a cruise programme and has widened the number of departure airports.

It is guaranteeing to hold prices for people who book before Christmas and is giving away a leather passport wallet complete with pocket calculator to those who book before the end of November.

Carpet takeover could challenge Belgian invasion

By Christopher Parkes

IT MAY be late, but the planned fusion of two of the best-known UK carpet manufacturers with John Crowther, the Huddersfield, Yorkshire textiles company, could be the catalyst the industry has been seeking to fight the overseas challenge led by the Belgians.

City stockbrokers were being besieged by smaller carpet makers wanting to get in on the act even while the purchase of Carpets International UK and Weavercraft Industries was still in the rumour mill. Mr Trevor Barker, chairman of Crowther, said last week when the takeover plan was announced that there was scope for reorganisation on the scale which transformed the textiles industry some five years ago.

A stockbroker described the takeover as what the industry had been waiting for.

"We shall probably see a lot more swapping and dealing among other companies trying to enhance their strengths."

The industry at large is hard-pressed, although Britain is still the leading manufacturer of traditional heavy patterned, highly durable woolen Axminster carpets.

They appear to be enjoying a revival on the back of fashion interest in natural fibres. High quality floor coverings for which consumers are willing to pay up to £20 a square metre are also in growing demand.

Elsewhere, recent events have a familiar ring: a traditional trade undermined by recession, lack of capital, its own outdated machinery and marketing methods, has been sent reeling by aggressive overseas suppliers.

Between 1978 and 1984 annual UK carpet production fell from 177m to 132m square metres. Exports have fallen from 40m to 14m sq m, and imports have risen from 11m to 60m sq m. The workforce has almost halved in the past five years to 18,400.

The Belgians now account for about half of all imports by volume and have been singled out for accusations of "dumping" and unfair subsidies. Their products are commonly seen in chain outlets for £1.99 a square metre - less than half the average British price.

Mr Michael Abrahams, head of the private Weavercraft company and the man who proposed the deal to Mr Barker, nine months ago, is not one to point the finger. He has

no wish to be diverted by drawn-out wranglings with government departments or the European Commission's competition department.

He praises the Belgians as efficient carpet makers and would like to form a major group to compete against them.

Mr Abrahams is a renowned opportunist with 25 years' experience in the business. He made his mark building up the carpets end of AW (Securities) which was sold in 1974 to Champion, a US timber and paper company. He bought it back in 1980 and incorporated it into Weavercraft, which now claims about 5 per cent of the £10m-a-year tufted carpet market.

He also learned a good deal about the competition during a stint as chairman of AW Europe in Belgium. He left a year ago when the management bought out the company.

City experts share Mr Abrahams' enthusiasm for the complementary nature of the businesses in the UK. Carpets fit naturally into the woolens, yarns and clothing interests of Crowther, which already was a small carpet yarn manufacturing business bought three years ago.

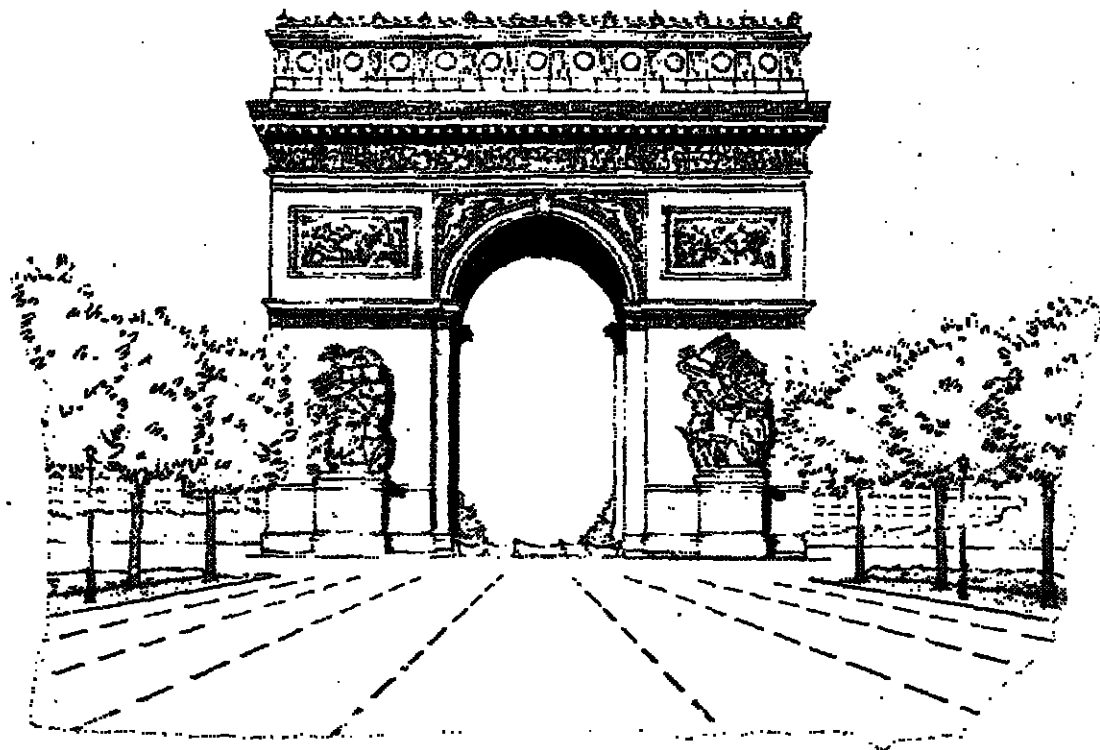
Carpets International's: Kosset, Heritage, Crossley and Giltedged brands are strong with independent retailers and major department stores, while Weavercraft's anonymous products are well-established among the major chains' own brands and in the contract business.

Both the domestic and commercial market sectors are showing signs of renewed strength, or at least an uncommon measure of stability.

Domestic sales traditionally keep step with building society lending on new homes, and so rose in line when home advances rose 14 per cent in 1983. Last year the market, held the gains and the carpet industry is looking forward to a modest increase for 1985.

The recent burst of spending in the commercial sector has been a further boost. The revolution in retail shopping refurbishment of pubs, the entry of major company names into the leisure market and the tourism boom are all feeding welcome new business.

One City expert said that the environment was now better than it had been for 10 years. Even the U.S. industry, once a major competitor, might be tempted back in.



The Arc de Triomphe

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PROFITS

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The why of warfare

conventional biography Jean Sibelius, which has already been shown on Channel 4, is memorable for Nupen's striking pictures of the orchestra against black backgrounds, especially the trumpets, and for his astonishingly repetitive shots of evergreen forests. It began to feel as though the camera must have been pumped up by the Finnish Timber Trades Federation.

Four dramas which have not been seen in Britain but which would form an impressive quartet for BBC2 are *Chastet* (a play about the mind), *Silent Poison* is a West German thriller about an unsophisticated photographer who thinks



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him, gaoler who finally comes to respect and even love him. I probably has more to say about Japan's present circumstances than that at first sight.

Every year since 1948 the Italians have organised this event of extraordinary contrasts: Indoors, pain and sorrow and man's inhumanity to man; outdoors, a glorification of the emphasis upon war; outside all the glories of Italian life—this year roost 'sucking pig and vermicelli in the shadow of giant hibiscus bushes. It would be better, I believe, to have the images in the darknesses represented action and the porchetto and vernaccia fact. Comforting but dangerous.

works given an earlier concert existence. The opening act, "Michael's Youth," was first performed in 1979; the second, "Michael's Journey around the Earth" — in essence a concerto for trumpet and orchestra — had come the year before. The larger part (the choral cantata "Festival") of Act 3 — "Michael's Homecoming" — was done in 1980; and only its final part, "Vision," was new at La Scala, along with the trumpet exordium and envoy.

opposites. It also explores the notion of Michael Kartheinzig as bringer of "celestial music" to humans and human music to the celestial beings" — in one of the most compact and gripping episodes of the evening, he undergoes "three examinations" with piano accompaniment (another Stockhausen sci-fi Majella) on stage.

But as a whole it is sparsely on the choral band of an electronic chordal —

Too many performers demand praise: only brief mention then, of the conductor, Peter Eötvös, the rich-toned soprano, Annetto Mererweather, the slim, compelling Suzanne Stephens on basset-horn, Stockhausen as himself sits in mid-stalls, commanding the speakers banks or balcony-stalls level and side-stage: it is in every sense his show.

The argument for the arts

Not so long ago students orchestras from Hull and Leicestershire were giving us performances of works by Beethoven, Brahms, Mahler, and other composers who are now otherwise have been unemployed. Now the ILEA Schools Symphony Orchestra has also taken an adventurous plunge into these waters. At the first of the Festival Hall concert for the autumn term on Monday included two works by George Enescu, himself a musician, and moreover, presented a world premiere.


He must have been delighted with the commission. Knowing the available forces in advance, Enescu was able to write a work of a scale. *Tubilation*, the resulting work, is a relatively short, one-movement piece but it includes parts for a recorder, flute, oboe, bassoon, and

percussion, two choirs, a steel pan ensemble and keyboard synthesizers. Only the knowledge that half the performers would be unable to read music—an arresting thought—can have restricted his invention.


Spatial effects and wide contrasts, as might be expected, play a large part. This is essentially spacious music, unhurried by matters of pulse or forward motion. One senses that Messiaen, one of

Symphony Orchestra


In all of this the young musicians seemed quite at home. Their performance of Musorgsky's *St John's Night on Bare Mountain*, the original version, was not really devilish, but excerpts from Berlioz's *Damnation of Faust* and Copland's suite from *The Tender Land*, both showing signs of diligent rehearsal, exhibited more temperament (Benjamin makes an undemonstrative conductor of other people's music).



Trumpeter Mar



Stefan Stockhausen in the white



Alastair Muir

irling globe of Act 2

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Theatre

LONDON

Sweet Bird of Youth (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams' domineering matriarch. Harold Pinter's direction and Eileen Dier's evocative designs contradict the play's loquacious reputation. Williams' dialogue has little between the star and her gigolo (Michael Caille) against a detailed canvas of small town Southern vengeance set at sea.

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant directorial handling keeps the show on top with a third-rate farce is a key factor. (RSC 8698).

Scapigliato Express (Apollo Victoria): Andrew Lloyd Webber's rollercoasting folly has 10 minutes of Spielberg movie magic, an exciting first half and a thrilling release on indiscriminate rushing round. Disneyland, Star Wars and Cars are all influences. Pastiche scene nods to waste rock, country and hot gospel. No one can accuse it of being aimed for his money back. (Cass 6184).

On Your Toes (Palace): Rodgers and Hart's 1926 musical is a genuine coronation of Broadway-style politics with the Ballet Russes. Gems include There's a Small Hotel, Glad to Be Unhappy and the Balconette ballet for laughter on Tooth Avenue. (RSC 8693A).

42nd Street (Drury Lane): No British

can Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a great turn as Mrs. Me and My Girl (Adelphi). Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lippincott Lane role emerging as the best new musical star since Michael Crawford (CST 7681B1).

The Government Inspector (Olivier): A good idea, but badly executed under-equipped TV comic Rick May all playing the possum as a shuffling nose-picker. Richard Eyre's production lacks the wit, lacker and tension or true delirium bit, with John Guttery's imposing design of bureaucratic bunnies; the show has a few moments of measurement as well as nightmarish tidbits. New translation by Adrian Mitchell. (CST 7223).

Mexicana (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one on one with the clowns. He makes a fine linguist of a musical. (CJ41317, credits cards £28-475).

Jumpers (Adelphi): Candid almost as a revival of Don Chappard's starting energy of love, a linguistic mayhem among the logical positivists, with Paul Edgington as a more elegant George Moore than Kenneth Maclean. Michael Burdett's Aladdin delightfully as his retired musical comedy wife. Peter Wood chimes in. (CST 96404, credit cards £79-623).

Richard III (Barbican): Last year's Stratford-upon-Avon production

Kenneth Branagh as Henry V. A) **Wuthering** (1987-1987, credit card) B) **1988** (1988)

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous Soviet African magazine seizes Britain's most prestigious newspaper, *A Journalist* satire on the grand scale with an irresistible performance by Kenneth Branagh as Henry V. A) **Wuthering** (1987-1987, credit card) B) **1988** (1988)

Rebelling the Silence (Mermaid): American AIDS theater group's new play about a woman's fight to free her husband's account of his family's emigration from post-Revolutionary Russia. Alan Howard succeeds. Daniel Massey along with Jeanette Agutter. Incredibly set in an Imperial railway carriage. (1988-1988)

NEW YORK

As Is (Lyonnais): The first play about AIDS makes gestures toward the whole community of people who are affected, but focuses effectively on the victim and his protective lover; in this Circle Rep production also has a distracting artistic tendency to put the play's language in a desperate one as the disease is diagnosed. (1988-1988)

It's Not Rappaport (American Place): A play that might have been. Mensch on a Bench for Herb Garber's touching, funny and incisive play about two oldsters who are bodied in Judd Hirsch and Cleavon Little who almost conquer the world when they think they are just back.

dy music is visually startling and choreographically false, but classic rock and roll sense and rhythmic drive and overblown idea of theatricality. (S23 6262).

A Chorus Line (Shubert): The longest running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with his backstage story of what the stage is back with emotions rather than emotions (S23 6200).

Sunday in the Park with George (Hunt): Inspired by the Gauguin painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but swell with Tony Strain's pretty song and James Lapine's back with changes gears in the second act (S23 6262).

La Cage aux Folles (Palace): With some tinsel Jerry Herman song, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious love between high-class and gaudy chorus number. (S27 8226).

WASHINGTON

West Side Story (Opera House): Rehearsal stars in a revival of the classic musical. The cast includes Lina Romeo and Juliet to a tough but tumultuous hispanic New York neighborhood. Ends Sept. 21. Kennedy Center (252-3771).

Count of Monte Cristo (Eisenhower): The second production of Peter Szilagyi's new musical. (S23 6262).

Despite the alleged mislaying of 5,000 circulares by the GPO, writers has got around such snafus by spreading the word in an enthusiastic reception at the National Youth Theatre's *Othello* on Monday.

Right so. The umbrella cliché of "promising, cutting, many in these circumstances" fails to do justice to the achievement of an extraordinary new movie production of *Othello*, Bakkeem Ke-Ka-Kin who comes into his own with the depiction of grief, vulnerability and the spectacle of a life well received.

Pace the forthcoming *Siraj* Moor production, here we have a Moor with negroid rather than Levantine features. Edward Wilson's production presents a lyrical, domestic *Othello* with not much of the warrior about him, though the Nigerian-born Mr Ke-Ka-Kin moves with military dignity in the early scenes and looks in repose in the white tunic of a colonial gentleman.

Apart from a carelessness with final consonants (Dead Desdemona was apparently addressed "Desdemona"), the production has the odd high-speed gabble of the young actor, he speaks too verse as well as many profane words, and a excellent, and sheerly touching side *Othello's* suffering. This *Mo* can rage without descending

straightforward impact whose cumulative effect is to leave one more harrowed than the one before. The film has more power than any of the experienced players.

Lloyd Owen's personable lag is more at ease on the stage than many of his colleagues. He is confident and he passes the acid tests, of being able to stand quietly on stage in character, as when he broods in mock embarrassment over the row's usual subject, before the Venetian envoy—he presents a splendid framework—for a characterisation as yet not provided by the production.

It is the lack of tenacity that sends him into King's Road, pseudocockney at moments of duplicity.

Rachel Bell's Desdemona must overcome her self-conscious wail. I preferred her spirited argumentativeness ("I am not hurt," she shouted at the husband of the diabolical hand-chisel) to the occasional wailing moments. Jack Phillips provides a good, positive Emilia, splendidly indignant.

On Humphrey Jaeger's set of upright rectangular blocks, Diogenes knocked up a wall. Gordon Craig, against a blue background, darkens into blackness, the production is forged clearly enough; though the passers-by should not stare.

York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. Appearing as Richard in the ESC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and

Cats (Winter Garden): Still a sellout
Trevor Nunn's production of T. S.
Eliot's children's poetry set to treat

lars new Australian National Theatre company is the James O'Neill version of this swashbuckler (2543870).

ino "mercurial" exaggeration; above all, he depicts the pain—and "the pity of it, Iago"—with a directness and

Still, a fine evening for Moon
a fanciers.

EDITED BY ALAN CANE

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Japanese manufacturing

A tough life on the line at Nissan

Nick Garnett reports from behind the scenes at a car plant near Tokyo

IN THE plush reception room at Nissan's Oppama car plant near Tokyo, a video machine electronically lowers itself to the level of a small wall screen and begins projecting a glossy colour film of the world's fourth biggest vehicle builder.

Accompanied by sultry disco music visitors are regaled not only with this Japanese company's technical competence but the close relationship with its workforce.

"Management and labour have agreed to use more robots," says the American-voiced commentary as production workers come into view eating Sushi in one of Oppama's five canteens, which are festooned in greenery. It is a dream picture of business expertise and workplace harmony to which many western businesses aspire.

General Motors which now has a joint manufacturing venture with Toyota, is the latest auto maker to see whether Japanese-style organisation can be transferred to the U.S.

The video contrasts starkly with an American film purporting to show Nissan as a ruthless corporation on its home territory, its workforce cowed by an authoritarian system only lightly veiled with worker participation and in which performance and conformity are extracted by fear. This is a picture of Nissan and its 60,000 employees as Japanese soil quite different from the popular perception among western managers about the methods of Japanese corporations.

The U.S. TV film, "We Are Driven," which dismisses the film's participants as the kind of troublemakers all big companies are saddled with. Yet the company has been suffering labour tensions. Despite the Japanese emphasis on group behaviour, service and discipline and the terrible consequences of falling foul of an employer in a society where employee benefits accrue only after long service, the company has been embroiled in a three-year battle with its normally tame house union, frequently characterised as an extension of the company's personnel department. This struggle has been over the kind of issues familiar to a western shop steward—line speeds, overtime and technical change.

"The union was tending to butt into company affairs," says Yutaka Kume, Nissan's new president, speaking in the pink executive room near the top of the company's massive office which is reached by a special lift discreetly hidden on the ground floor by a marble wall. The company has recently regained the initiative on these fronts amid accusations of physical intimidation.

It is not difficult to see where such apparently diametrically opposed portrayals emanate. With a total of 8,000 salaried Nissan employees, including engineering support services, Oppama produces four basic models, including the Bluebird and Stanza, and is organised very much on the same lines as the company's other domestic manufacturing sites. Outwardly it looks like an extremely well run western-style car plant—but this would be very misleading.

Excellent management practices and rigorous attention to detail accompany the strictest quality control and cleanliness. British supervisors at Nissan's new plant at Washington, England, who trained at Oppama, were impressed by the time devoted to studying even the smallest task.

For example, attaching a door handle is examined closely from the point of view of the line-man in relation to the number and ease of arm movements necessary to do the job. All this, however, operates in a cocoon of subtle and severe pressures inextricably linked to Japanese culture, and in which not even quality circles or bonus payments are quite what they seem.

Built in 1962, Oppama has 200 of the 1,600 robots Nissan has installed at its domestic production sites. The plant runs on two shifts, 8 am to 5 pm and 9 pm to 6 am, with workers divided into teams of 10 to 15 under a supervisor (foreman). Apart from a lunch period line workers have two breaks a day of 10 minutes each, during which they sit in clean rest areas stoically silent or chatting quietly among themselves while they sip fruit punch from cardboard cartons. Every so often the manufacturing sounds are punctuated by a female voice on the Tannoy giving details of the next match for the Oppama work's basketball team.

"Just in time" has been raised to a fine art. The trackside bins carry low stocks—perhaps a dozen rear lamp clusters for example—at any one time as a fleet of fork lift trucks with warning hooters ferry parts from the trucks of the plant's many component suppliers.

Quality is a religion. On the line producing the updated Bluebird, a man from the engineering department stands



Yutaka Kume: has taken action to prevent the union "battling into company affairs"

quietly, carefully watching the application of bonding on a new style windshield. In the body shop a Stanza emerges with a dent in the roof. "Big trouble here," says Hikozeu Shibata, a 50-year-old supervisor (foreman) as everyone peers at the sunken metal. Cleanliness is astonishing. Even the trackside dustbins have bin liners.

Self discipline and peer group pressure to be at the right place at the right time is very strong in Japanese society but imposed discipline at Oppama is also very firm. Workers have to be ready at their work stations at 8 am sharp," says Takehiko Satake, advisory manager in administration.

Anyone late for work has to report to the foreman. Unwarranted lateness for work can lead to a block on promotion and the likely transfer to another department. "In that way he will save face, no one will know," says Satake. But many practices at Oppama are culturally foreign and perhaps distressing to a European or North American car worker. The principal tools

for fashioning human behaviour at Nissan are far more complex and meticulously designed than is imagined by most western companies that attempt to draw lessons from Japanese manufacturing techniques.

The operation of quality circles, use of so-called bonus payments, temporary workers and outside contract labour, selection of employees and attention to training have all been carefully geared to generate build reliability and favourable production costs. At Oppama, however, with a production capacity of 40,000 cars a month, it is often difficult to pinpoint where positive features of human organisation blur into coercion and the deliberate promotion of privileged elites.

Some of these features have a very positive influence. Managers in even the public relations department, with its staff of more than a hundred, spend two months working on the production line when they join the company.

Middle-ranking Nissan executives are subject to training courses throughout their life

with the company, some carried out in normal classroom services, others in the aggressive management schools where behaviour is governed by Bushido, the code of the military man. The four-grade pay structure means that a young manager knows he earns the same as a production supervisor—perhaps ¥7m to ¥8.5m a year (£22,000 to £27,000).

Other aspects of the plant's organisation have a darker side. Up to 500 workers from nearby rice paddies and orange farms are drafted on to Oppama's production lines for periods no shorter than six months. They earn in effect at least a third less than salaried employees working alongside them and are excluded from the company's pension rights, guaranteed lifetime job, and low-cost loans—a cheap labour buffer for the vagaries of demand. They are distinguished from salaried employees by different markings on their hard hats and overalls.

The plant's employment figures also exclude 1,000 workers on contract, maintain-

ing factory buildings, packing kits for export, truck driving and running the canteens. Many of these contract companies have offices within the plant and some, like transport company Yokohama Yuso, are Nissan affiliated businesses but their workers also earn less than salaried employees. The use of contract labour is growing in Japan.

The most common profile of a production worker at Oppama is of a hard, fit single man in his 20s or early 30s. He will probably have attended one of Japan's special engineering-orientated high schools and must have stayed on till 18. A large proportion of them live in six dormitory blocks at Yokosuka and Tokyo, usually in tiny one-room units with communal eating and a dormitory supervisor.

Nissan owns 16,500 such units for its non-married workers throughout the country. They are entitled to live in them for up to six years before moving on to company-owned houses or their own homes bought with the aid of a company loan.

This might be seen as the provision of low cost accommodation for those who could not work at the plant otherwise, the smallest units costing ¥600 (less than £2) per month. But it is also close to the concept of barracks life for a well drilled production army. The company becomes all pervasive to these men. Large roof-hung electronic "scoreboards" on the lines give digital readouts on the day's and month's production schedule and how far above or below these targets the line is working.

The production line worker has no escape from this. Even in the canteen films are shown on video, sometimes of a plant sports team, often just of the company itself. "I think this latter subject is not so popular with them," one manager confesses. While Japanese companies have broken new ground in Britain with communal canteens for everyone, at Oppama managers have a canteen reserved just for them. Supervisors are encouraged to act as fathers and cajolers by visiting the homes of line workers who might have what one manager refers to as "mental fatigue."

But it is the use of bonus payments and quality circles

which most clearly reflect the way Nissan's social tools have two faces.

The company pays salaried employees, whose total overall income last year averaged ¥1.6m (£14,500), lump sum bonuses twice a year. These amount on average to a huge 50 per cent of non-bonus salary. But they are not really bonuses at all. Only 20 per cent of the total of these payments are related to individual or group performance. Even of this, everyone in effect receives at least a half, giving a possible average bonus variation of ¥250,000 (£750) a year. The other 80 per cent is simply paid automatically.

Two lump sum payments help Nissan's employee save — the Japanese have one of the world's highest saving ratios. But bonuses are a method of rewarding salaried employees as against non-salaried temporary labour who do not receive this money and they are also a way of withholding salary. Put the other way it involves employees subsidising the company.

Quality circles are important to Nissan. It has over 4,000 of them, each with about nine employees. Almost all production workers belong to them. According to the company these circles found "solutions" to 22,000 problems in 1983. Maysayuki Saito, Oppama's general manager, says QCs saved the plant ¥2.5bn (£8m) last year.

But quality circles are so successful at Nissan that there are considerable pressures on employees to come up with the goods. Each individual or group is expected to devise at least four successful ideas a year. "Leaders" of each circle are shuffled regularly to keep them on the boil and failure to perform adequately brings in section heads and engineers to provide what Saito refers to as the right "atmosphere."

This is backed up by a complex system of ten different grades of rewards between ¥500 (£2) to ¥200,000 (£500) per idea. But the system is also a form of compulsory overtime designed to extract the maximum number of cost saving ideas. Workers must join the circles which meet between two and four times a month outside company hours but for which only two hours overtime a month is paid. This is certainly deep-rooted worker participation but within a system whose success is partly dependent on the way it is driven.

These European managers who believe they can transplant Japanese methods perhaps need to remember an old Japanese proverb: "Don't mistake the pointing finger for the moon."

Business courses

Fifth annual strategic management society conference, Barcelona, October 2-5. Fee: £500. Details from Mrs Maria Amelia Salerno, IESE, University of Navarra, Avda. Pearson, 21, 08034 Barcelona. Tel: (93) 203 4653. Telex: 50924 IESE F.

Working women—paths to power, London, November 25. Fee: £37 inc VAT. A debate cover what actions can be taken to remove obstacles to women's progress to top management. Details from Wendy Hutton, Institute of Directors Business Centre, 116 Pall Mall, London SW1Y 5ED.

Recent methods for effective management learning, Brunel, October 15-18. Fee: £295. Details from the secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: 0883-58461. Ext. 215.

Tax Planning for Non-Domiciled Persons, London, October 29. Fee: £50. Details from ESC, 2128 + £19.20 VAT. Non-Members: £150 + £22.50 VAT. Details from Course Secretary, European Study Conferences, Kirby House, 31 High Street East, Uppingham, Rutland, Leicestershire LE15 9PY. Tel: 0572 823711.

The Data Protection Act Registration Requirements, London, November 5. Fee: £50 + £5 VAT. Details from Ann Measures, London Chamber of Commerce and Industry, 68 Cannon Street, London EC4N 3AB. Tel: 01-348 4444.

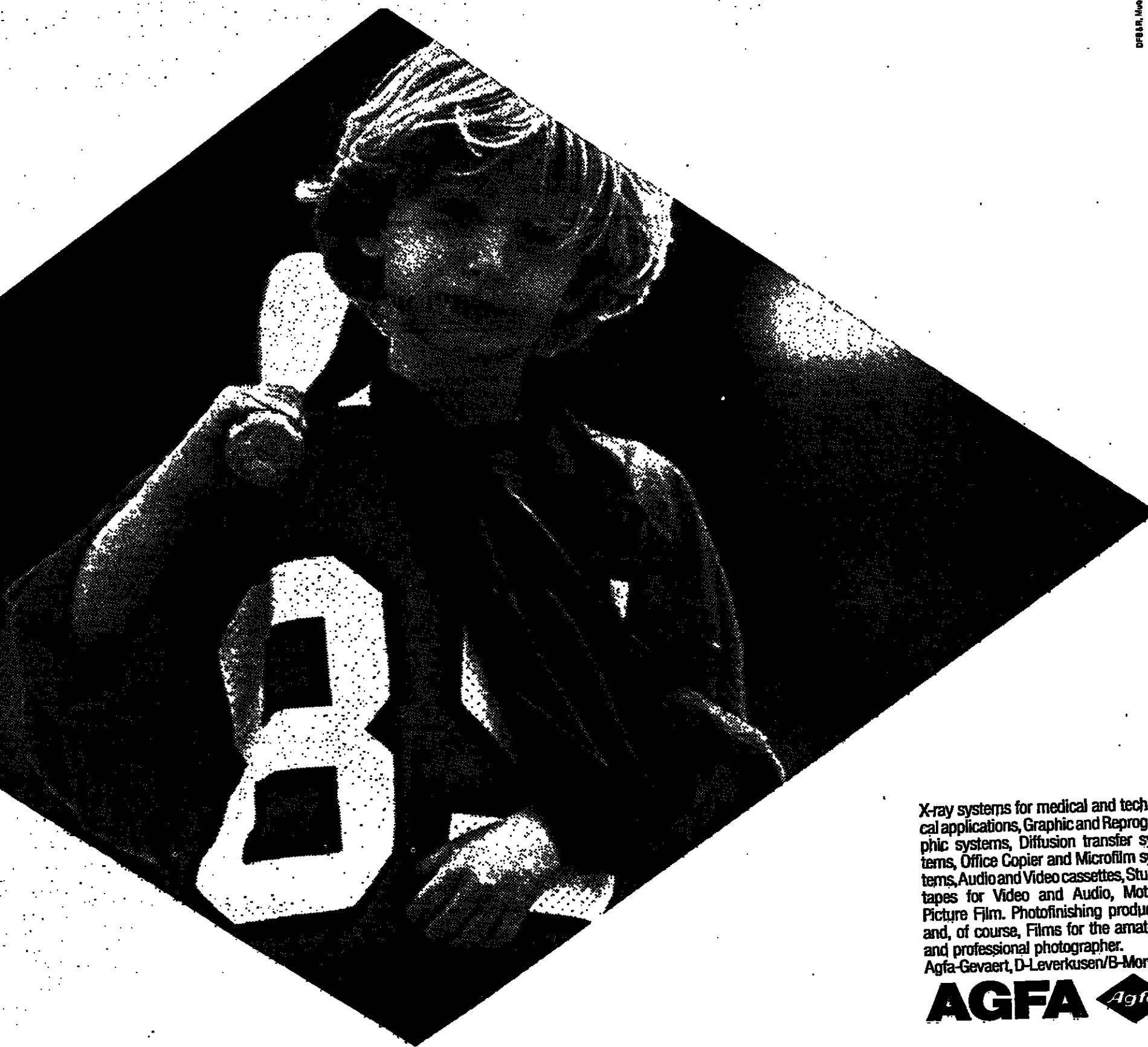
Practical Payment Systems, Cambridge, November 25-27. Fee: £425. Details from Tracey Johnston, Employment Relations, 62 Hills Road, Cambridge, CB2 1LA. Tel: 0223 315944.

Fourth retail banking conference, the economics of financial services, London, October 16-17. Fee: £229. Details from the Financial Times conference organisation, Fourth retail banking conference, Munster House, Arthur Street, London EC4R 9AX. Tel: 01-621 1355. Telex: 27347 FTCONF G.

Financing overseas defence contracts, London, October 30. Fee: £201.25. Details from Miss J. K. Van Wyck, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111. Telex: 898837 TACS G.

Doing business in France, London, October 24. Fee: £50. Members: £147.20; non-members: £178.50. Details from European Study Conferences, Kirby House, 31 High Street East, Uppingham, Rutland, Leicestershire LE15 9PY. Tel: (0572) 822711. Telex: 341852EURCON G.

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Prospects for arms control

THE NEW round of superpower arms negotiations, which opens in Geneva this week, will be the last before the Reagan-Gorbachev summit in November. If the verdict is the stalemate which has obtained since these negotiations were launched at the beginning of this year, there can be little ground for optimism now; yet the looming deadline of the November summit is bound to exert pressure on both Washington and Moscow for the kind of movement that might make the summit a political success. The problem likely to inhibit both sides, however, is that the choice may lie between stark opposites: radical reduction in nuclear weapons, or no agreement at all.

This derives from the unavoidable link between the two sides of the superpower arms negotiations: strategic nuclear weapons, and space-based defensive systems. The U.S. Administration maintains that these sub-issues are distinct and independent of one another, because it does not wish to make the choice any more difficult by linking them. On its Strategic Defence Initiative anti-missile research programme, in practice the link is unavoidable, because the Soviet Union will not agree to cuts in offensive nuclear weapons while leaving the U.S. free to deploy, at some future date and on an unpredictable scale, an anti-missile defensive system. There is a deal, it will have to take on both sides of this equation, and include some clear restrictions on America's right to deploy the results of its SDI research.

Manoeuvre

For domestic political reasons, it is virtually inconceivable that President Reagan can agree to a deal which appears permanently to rule out any deployment of an anti-missile defensive system deriving from SDI research, and the Soviet leadership seems to have come to terms with the idea that such a blanket ban is unattainable. President Reagan firmly believes that a strategy based on defence would be, in moral terms, far superior to one based on the threat of mutual destruction and mutual vulnerability.

The only question, therefore, is whether the Soviet Union can manoeuvre the U.S. Administration into an arrangement on space-based defences which

leaves intact President Reagan's minimum requirement—the ability to claim that SDI remains alive and well in terms of the long-term vision—while satisfying Moscow's minimum requirement—a virtual guarantee that the U.S. will not unilaterally attempt to upset the offence-defence relationship for a long-time to come, if ever.

Negotiating such a delicate balance of interests is bound to be very difficult; it is probably not negotiable unless the Soviet Union offers very deep reductions in offensive nuclear weapons. President Reagan will not voluntarily accept any constraints on the testing of SDI research; but the prospect of a dramatic arms control deal might mobilise irresistible pressure from his electorate and his allies.

Initiatives

In other words, the outcome of this new round of negotiations and the prospects for the summit, are dependent on correctly-calculated initiatives from Moscow. Some reports have suggested that President Reagan may prefer to avert, or even refuse, such a painful bargain; his ostentatious refusal to match the Soviet moratorium on nuclear testing, and his insistence on carrying out another test of the new U.S. anti-satellite weapon, are not encouraging signals. Yet as the November deadline approaches, political reality may make it difficult for him to appear to be balking at the possibility of a radical arms control deal.

It only remains to be seen whether the Russians are prepared to translate their enticing public rhetoric into firm negotiating proposals in Geneva. They may judge that with Ronald Reagan an acceptable bargain is unattainable; the price, in terms of nuclear weapons reductions, may be too high for the Soviet military to swallow.

But if Mr Gorbachev really wants a deal, his intentions (or the strength of his political power base) should quickly become apparent to the U.S. negotiators in Geneva. Early initiatives by the Soviet Union could quite conceivably open the way to agreement on some elements of a framework deal at the summit, as happened at Vladivostok in 1974; more stone-walling may imply that the negotiation has been deferred—or blocked.

New rules needed for farm trade

AN INTERESTING political and philosophical ping-pong match has been developing over the last couple of weeks between Australia and the European Community, concerning the thorny question of farm trade, and the allegedly disruptive effects of the EEC's Common Agricultural Policy.

The issue is hardly new, and has been an irritant in the EEC's relations with Australia, among other countries, for years. But the debate has been given fresh impetus by the publication earlier this month of a voluminous report on the CAP by a government-appointed research body in Australia.

Mr Bob Hawke's Labor Government intends to use its arguments to the full in discussions with EEC officials over the coming months. The points it makes may also find an echo in Geneva, where the General Agreement on Tariffs and Trade (GATT) committee on agriculture is meeting this week.

The study, from the Canberra-based Bureau of Agricultural Economics, claims that subsidised farm exports from Europe have depressed world market prices to the extent of costing the Australian economy nearly A\$1bn a year. It also seeks to explain how the CAP is a drag on European economies themselves: total transfers from consumers to taxpayers to farmers, estimated at between Ecu 57bn and Ecu 73bn a year over the last decade, are much larger than the subsidies handed out directly from the EEC budget which are commonly the focus of public debate.

As it happens, Mr Frans Andriessen, the EEC's beleaguered farm commissioner, was in Canberra last week, just after the report came out. So it fell to him to leap to the CAP's defence.

Agriculture, he said, remained "the motor of Europe." The EEC's support for agriculture had guaranteed security of supply to consumers, and some protection for its farmers against the vagaries of the world market.

Furthermore, although Australian farmers tended to point an accusing finger at Brussels as the source of all their ills, virtually all countries provided some kind of support

for their farmers—whether in the visible and vulnerable form of export subsidies as in the EEC, or in more subtle ways, such as subsidised access to irrigation water or favourable credit terms.

The common ground on which both the Australian report and Mr Andriessen converge is this: most national agricultural policies, and that of the European Community in particular, are the product of pressing domestic social and political reasons, and are inward-looking.

The fact that such policies have had nasty international side-effects—by insulating individual markets from world trends of supply and demand, by encouraging subsidised disposal of unwanted produce and so forth—is still regarded as secondary.

The Australian report, for instance, is realistic enough to concede that fundamental changes in the CAP will probably not be brought about by external pressures, such as trade wars waged by the Americans—although it does suggest that a sharp drop in the U.S. dollar, the currency in which most agricultural trade is denominated and the level of which determines to a large extent the level of EEC export subsidies, could have a greater effect.

Hence the importance of attempts to strengthen the currently scanty trade rules covering agricultural subsidies. The Tokyo GATT round of the 1970s made only marginal impact in liberalising or disciplining farm trade, and it is the EEC's competitors that have suffered as a result. In the absence of rules and with the U.S. showing increasingly aggressive attitudes towards agricultural exports, the less powerful countries such as Australia and New Zealand fear being caught in the middle of an all-out trade war.

The only long-term solution is for the community and the U.S. to bite the bullet and cut their farm prices. Any other approach to the disposal of surpluses on the world market will simply attack the symptoms of over-production, not the cause.

In the meantime, the sooner the EEC can make a full-throated commitment to launching a new round of GATT negotiations incorporating agriculture, the better.

IS THERE LIFE after Deng?

Aware that at 81, time is against him, the Chinese leader is working fast to ensure both his modernisation drive and his overhaul of the Chinese gerontocracy survive long after he departs.

Whereas the great helmsman, Mao Tseung, favoured the ruthless purge as a means of ridding the party of opponents and getting his way, Deng Xiaoping has taken a longer view. For the past five years, he has been assiduously planting and cultivating his successors and the successors to his successors. He has been attempting to institutionalise his pragmatism and chart a course for China into the next decade and the next century.

The low-profile Mr Deng, who himself came back from a Maoist purge, this week gained much ground with the mass resignation of 131 senior officials. Now he is on the eve of a crucial test of his strength and of the determination within the party to carry on with a reform policy that has compromised Communist ideals.

In the next week, party and provincial officials will meet in Peking for an extraordinary national conference, only the second such conference to be convened since the Communist revolution in 1949. The first was in 1955, when Mao expelled two senior party members accused of conspiring against him. One of those expelled committed suicide, and the other was never heard of again.

In contrast, the coming conference will see Deng and his confidantes laud the departing elderly officials, many of whom have been gathering dust on the party shelf, while several others are uneasy about the reform policy and would pose something of a threat to that policy if Mr Deng departed before they did.

Those who have resigned will suffer a minimum loss of face, will perhaps be given honorary positions of no real consequence, and retain the perks of power: the car and driver, round of banquets, and so forth. The conference will appoint their replacements, and the political colour of the new comers will be an important test of Mr Deng's political strength and the degree to which his brand of pragmatism has become known as "Dengism."

To ensure that the leadership will not again be clogged by the reptilian and octogenarian, age limits have been set for office-bearers. For Ministers the retirement age is 65, and although no official statement has been released, it is understood the retirement age for the party's Central Committee will be 68, and for the Politburo, 72.

The conference will also approve the seventh Five Year Plan, which will provide a guide map for the economy from 1986 to 1990. The plan will be revised and approved in principle, with the details left to the National People's Congress, the poor Chinese imitation of a parliament. It is expected that the plan will push the "open-door" a little further open and give more rein to market forces.

Statements will probably be made on the need to upgrade three key areas:

- Transport. The transport infrastructure cannot cope with the new demands placed on it. Trains are overcrowded, roads are few and far between,

Peking leadership conference

How Deng plans to keep China on the path of reform

By Robert Thomson in Peking

and for every ship in port, there are four waiting off shore. • Energy. Industrial power blackouts are a weekly event, while some major factories are closed for days and weeks because of power shortages. The emphasis is likely to be on improving the efficiency of thermal power stations.

• Resources. Increasing the efficiency of resource exploitation, which is badly in need of development.

There has been speculation that the plan will allow state-owned factories to sell shares to workers and increase labour mobility by enabling more talented workers to transfer to more challenging jobs. Officials at the People's Bank of China have indicated that foreign participation in the Chinese economy will be increased, and China will be more active on international finance markets.

Even though China is paying a high price for the reforms—with rampant corruption and an overheated economy both serious problems—the Chinese leadership believes they are getting value for money, and are not for turning.

A BOOST FROM THE WORLD BANK

DENG Xiaoping's reformist measures, which will be significantly reinforced by the Chinese leadership changes, received an important boost earlier this year from the World Bank. In a confidential report on the Chinese economy, the Bank endorsed many of the changes introduced by the leadership and called for further action.

The five-volume report—the most comprehensive of its kind ever undertaken—calls for:

- Greater autonomy for peasant households and enterprises, more livestock competition and promotion

of collective and individual enterprises to complement the state sector. Enterprises, said the report, must be faced with rational prices, freedom of choice and competition.

• Strengthening the state's ability to direct the future course of the economy. More limited use of direct controls and much expanded use of indirect controls was advocated.

The report warns, however, that an enlarged role for the markets in China could cause hardship through bankruptcy, dismissal of workers, unemployment and the poor and backwardness of the development process.

As well, 1,000 young technocrats have been selected for a leadership "short-list." They are, as the Chinese news agency, Xinhua, put it, "waiting in the wings." The chosen 1,000 are said to have the right stuff—more revolutionary, young, well-educated and professionally competent.



Deng Xiaoping: last of the octogenarian leaders?

The manoeuvring is all part of the Deng strategy to line up the next two generations of leaders. Mr Deng could not wait the two years for the next scheduled national party meeting to make the necessary personnel changes in the upper echelons. He is determined to formalise regular procedures for the replacement of officials, and the best opportunity for his vision to be realised is while he is in firm control of the party.

Deng, who officially went into semi-retirement in 1980, sits atop the Chinese political structure. He retains a post as chairman of the Central Military Commission, though that position is not a measure of his influence. What Deng says goes. As Hu Yaobang recently observed, "it is sufficient for him to say one sentence but we have to say five."

Mr Hu hoped his leader would stay on for as long as possible because "he is more experienced than we." Of course, all people are subject to the law of nature, and eventually take over is proved. Mr Deng sits as one of six members of the Politburo standing committee, the power elite, which is a level

above the 25-member Politburo. Those 25 members graduate from the party's 210-member Central Committee.

Most significant in the 131 resignations this week are the ten from the Politburo. They included five leaders in the 80s, three in their 70s, and two in their late 60s. Among them was Marshal Ye Jianying, 88, formerly a symbol of internal opposition to Deng and now a symbol of the military's declining political power.

Standing above the Politburo candidates is Hu Jili, 55, who was labelled a "traitor" and a "scab" during the Cultural Revolution, but is now regarded as almost certain to replace the party boss, Hu Yaobang, in coming years. Mr Hu, the younger, has been prominent in receiving visiting foreign dignitaries, generally a good sign of who is in favour and who is not.

Also considered to be as good as in the Politburo is Mr Li Peng, 57, presently a vice-premier, and tipped to eventually take over as premier. Zhao Ziyang, the Soviet-trained Mr Li, a protégé of the late premier Chou Enlai,

recently travelled to the U.S. and signed the just-completed Sino-U.S. nuclear co-operation agreement.

If either Hu Jili or Li Peng was not promoted at the conference, it would be a sign that all is not what it seems in China's corridors of power and Mr Deng does not have the taken-for-granted very tight grip on the party.

Up and comers thought likely to graduate to the Politburo are Tian Jiyun, 55, who was responsible for the implementation of price reform policies, and Wang Zhaoguo, 43, who was "discovered" four years ago by Mr Deng during a tour of provincial factories. And the new head of the People's Bank of China, Chen Muhua, is also highly rated, although, at 65, her age will work against her.

If the conference is as well orchestrated as the mass resignation, with its joint letters of retirement complete with self-effacing statements bearing the trademarks of Deng Xiaoping, then the replacements have already been chosen and the conference's closing speeches are in rehearsal.

Nevertheless, there have been hints that the conference will dabble in democracy for the Central Committee appointments with delegates given a limited choice of candidates rather than being presented with a fait accompli. Having done much party stacking, Mr Deng would appear to have little to lose in a vote.

What was striking about the mass resignation was the way the military lost out in the Politburo shake-up, continuing its decline as a political power. An interesting twist was that although five octogenarians were among the ten to resign from the politburo, five octogenarians remain, showing that not all have heeded the call for the elderly to step aside. Nevertheless, the event was the end of the road for several long March veterans, and a Great Leap Forward for Dengism.

Transport union chooses Morris

The election of Bill Morris to the number two post in the Transport and General Workers' Union, Britain's biggest trade union, is a boost for black Britons, and for Labour leader Neil Kinnock who is anxious to see more black people taking an active part in party and union affairs.

Jamaican-born Morris, aged 46, is an articulate and able trade union official who has risen rapidly through the union's executive ranks.

He cut his teeth on the shop floor at engineers Hardy Spicer, Birmingham; was appointed district officer for the union in Nottingham in 1978, and moved to the same job in Northampton three years later. Since 1979 he has been national bus secretary for the union.

Morris's new job will almost certainly lead to a seat on Labour's national executive, where he will prove an influential ally for Kinnock in his opposition to the setting-up of black sections within the party. The recent Handsworth riots have reminded Morris of problems he might face in his new high profile career. He went



"It would have been a nice gesture to ask the Soviet Ambassador to open it"

Men and Matters

to Handsworth technical college and his mother still lives in the area—just half a mile from the riots scene. He visited her last weekend "to make sure she was all right."

A family man with two grown-up sons he is mercifully free from the affliction of "union speak."

His appointment as the union's deputy general secretary should aid the union's new leader Ron Todd in his avowed intention to improve communications with the 1.5m members.

Leisure break

European Ferries Group has found it hard pouncing up to now to make money out of leisure resorts. Its £20m La Manga Club investment in Spain is still losing—although it is expected to break even by the end of this year.

James Lees, aged 46, is the group's new man with the responsibility of finding profit in leisure.

He joined the group earlier this year as md of the Spanish subsidiary running La Manga—a hotel, golf, tennis and beach resort. Since then the previously horrendous half-year loss of £1.8m has been cut to £300,000.

Lees, Cambridge graduate, who later gained business degrees at Cranfield and Harvard, is bounding with confidence that the sort of up-market, high investment in leisure represented by La Manga can pay handsomely. He has spent the last three years involved in resort development at various Mediterranean sites, and is currently helping set up the marketing of La Manga in the U.S.

But his latest assignment for European Ferries is much

nearer home. He has been appointed managing director of the Old Course Golf and Country Club at St Andrews, Scotland. The thing is that this club hotel will be the British end of a profitable link with the Spanish La Manga resort.

With club memberships ranging from £10,000 entrance fee, plus £650 a year for founders, down to £2,000 plus £165 a year for international members, golfing at the Old Course club is clearly for the well-heeled.

Souvenirs

In the present bid fever, when a holding of more than 5 per cent can release an avalanche of takeover speculation, it is refreshing to come across one company that has entirely the reverse problem.

Tottenham Hotspur, one of the country's top football clubs, became the first club to go public with a full listing two years ago.

The move was hailed then as an astute piece of play. But it has now brought its own problems.

Fans flocked to buy the Spurs shares at the 100p issue price in the minimum subscription block of 100—and many then sold them off (sometimes singly) as mementoes to hang on the bedroom wall beside pictures of such heroes as Ossie Ardiles and Glen Hoddle.

Author Hunter Davies, also a Spurs fan, revealed recently that he has a framed certificate for 100 shares hanging in his bathroom.

The problem now facing the club is that the shareholdings—on latest estimates 3,000 shareholders each own between one and 100 shares—are unlikely ever to be traded on the market.

"Increasingly," says the report, "there will be tensions between concern for greater efficiency and dynamism and concern about fairness and the very poor." These tensions could become very great, warns the World Bank.

To avoid this happening, the report advocates a gradual advance, with experimentation and evaluation at every step. Experience in Eastern Europe, where economic reforms have often fallen foul of ideological dogma, suggests the importance of moving steadily.

The report says it is vital not to lose some of the strengths of the present

system in introducing reform—namely its capacity to mobilise resources and help the poor. In addition, the World Bank says China must strike the balance between state and market regulation to achieve rapid and efficient growth. Fewer still, it adds, have managed to avoid intolerable poverty among substantial segments of the population.

The report concludes, however, that China's long-term objective of significantly increased production through greater efficiency seems attainable in principle, and, if recent experience is any guide, in practice.



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U.S. LENDING TO S. AFRICA

Red faces and recriminations

By David Lascelles, Banking Correspondent recently in New York



John Gutfreund: a "painful decision"

"We think of ourselves as apolitical. But financial institutions are particularly vulnerable in this kind of situation." Thus Mr John Gutfreund, chairman of Philbro-Salomon, the U.S. group which includes Salomon Brothers, the leading Wall Street investment bank.

The political web cast by the South African crisis has tangled few financial institutions quite as tightly as Philbro-Salomon. Its decision to cease all dealings with the republic last month was prompted by concerns typical of those facing all U.S. banks: powerful pressures, loss of business on the domestic front, and mounting frustration over the South Africans' failure to initiate political change.

But at the same time, Philbro-Salomon is 14.5 per cent owned by Minerva, an offshoot of Anglo-American, South Africa's largest mining company, which presented Mr Gutfreund, chairman of Philbro-Salomon.

He describes the decision as "painful," but says he had little choice after problems began to accumulate for Philbro-Salomon, notably on the Salomon Brothers side, which

accounts for the bulk of group earnings and was suffering a noticeable deterioration of business.

The investment bank was being cut out of lucrative municipal securities issuing deals, particularly by large cities on the West Coast where Salomon Brothers has strong ties. Los Angeles, San Francisco, Oakland and Seattle—even though Salomon is one of the leaders in that business. Investment institutions and shareholders were also divesting themselves of Philbro-Salomon stock.

The cost to Salomon of Mr Gutfreund's decision will be the loss of what he describes as a "sizeable exporting business" in commodities from South Africa: steel, chrome alloy, gold, coke and coal. There will also be a reduction in its relations with Minerva who still have two directors on the 21-man board.

Mr Gutfreund says his decision to sever links with South Africa "should not be interpreted that I as chairman of a publicly-traded company am saying who should or should not own our shares."

the political difficulties, many now wish they had pulled out long ago. Although there is political mileage to be gained by explaining their position, they are keen not to make on-the-record statements.

Most fingers are pointed at Chase Manhattan whose decision in late July not to participate in a South African company loan is widely credited with having set off the crisis. In fact Mr Willard Butcher, Chase's chairman, and Mr Thomas LaBrecque, its president, decided more than a year ago to "manage down" the bank's exposure to South Africa, and the July incident marked the stepping up of this policy in response to mounting tensions there. (Chase will not comment on its actions.)

Several other banks, now

claim that they too were being "more selective" in their lending, even to non-controversial customers. Well known domestic pressures are cited: the loss of deposits held by U.S. local authorities, including New York City, and divestment by indignant shareholders. But the political balance was also swinging.

Morgan Guaranty, which normally holds a patriotic aloofness to politics, felt forced to adopt a South African policy in order not to be the only major bank without one. Furthermore the banks were alarmed by the way Congress (with the threat of a divestment law) was taking the U.S. political initiative on South Africa from the State Department (whose policy of "constructive engagement" they favoured).

On the other hand, in pure

business terms South Africa was an attractive market with good foreign exchange reserves.

"We could make more money lending to South Africa than elsewhere," says a senior official of a New York bank's international division. "Though hardened by the trauma of the Third World debt crisis, bankers also succumbed to the optimism that tends to colour their reading of the political scene when business is at stake. 'You have to remember that there were signs of improvement this summer. They had extended rights to the coloured community and amended the Immorality Act. We also underestimated how well the African National Con-

gress was organised," recalled another banker. The result was that, despite their proclaimed loan policies, many banks were in reality what one executive described as "fence-sitters." This changed with alarming suddenness after President Botha's anti-apartheid speech on August 18: "That's when everyone started running for the door. And when that happens, no one gets out," he said.

But if the crisis has shown up the banks' uncertain political judgments—for which, to be fair, they are not alone—it has forced them into a more hard-nosed assessment of the prospects for South Africa where nothing short of political change can now re-open the market for them.

Assuming that a new timetable on debt repayment can be negotiated to enable the moratorium to be lifted (and most banks think this can be achieved, though the task may be harder than expected) bankers have begun to list one of the conditions that will have to be met before they would be willing to start lending again, even for the worthy exceptions listed by President Reagan last week in his order restricting loans to South Africa.

They include: ● The extension of citizenship to blacks and the abolition of the pass laws, the prospects for which have already strengthened since the moratorium; ● Freeing Nelson Mandela, the ANC leader;

● Broadening the rights of blacks to own property and run businesses; ● Lifting the state of emergency;

● The appointment of an independent commission to investigate allegations of brutality against blacks.

To press for the basic civil rights—one man one vote—would not be realistic at this point, bankers believe, and might only make matters worse.

But shaken as they have been by the crisis, U.S. bankers hold out little hope that South Africa will be able to placate foreign opinion sufficiently to allow them to resume business in the near future.

"They are an arrogant nation, and if it came to the worst, they could survive without foreign credit for a while," was one bank's comment.

Unemployment in the OECD

Why jobs and pay are inextricably linked

By James Symons

WHEN I began seeking the connection between unemployment and the real wage about five years ago it was fairly generally considered an eccentric, perhaps even tasteless line of inquiry, and certainly doomed to failure by the then accumulated weight of evidence. It may still be tasteless but it is no longer eccentric. The idea seems to have worked its way through the economics industry, like leaven through the dough. Now even the dogs, or at least some large dogs are barking high real wages.

There are two reasons for this. First belatedly (for the controversy is at least 50 years old) the connection has begun to be detected in post-war and other data. Second, and more importantly, it has gradually been recognised that countries with either sensible workforces or sensible wage-setting processes (Japan, Sweden, Austria, Switzerland) are precisely those countries that manage to control unemployment.

The reason for anticipating a connection between the wage and employment is simply that the wage is the price of labour to the employer. But other things affect the demand for labour as well. The firm's stock of fixed capital and the state of technology are equally important. And the relationship is a dynamic one. Employment does not follow each small change in the wage; rather it slowly adjusts to the long-run wage level. The researcher's problem is thus a little like trying to detect a single instrument from the full blare of an orchestra.

With a colleague at the Centre for Labour Economics, Andrew Newell, I have recently conducted a large study of 16 OECD economies, 1950-1981. In all cases we find that employment is strongly responsive to real wages. On average a 1 per cent rise in real wages is associated with a 1 per cent fall in employment. There are, of course, other influences.

We find also that high real interest rates have a negative effect on employment. But, in contrast to some other scholars, we find no general support for measures of aggregate demand such as the fiscal deficit.

The real wage does not explain all business cycles. This is not a fatal weakness, however. The underlying long-term rise in

unemployment over the last decade in most OECD countries has been superimposed on the business cycle. What the real wage can best explain is rapid falls in employment following a real wage explosion. Most countries experienced just such an explosion, for reasons that are not clear (perhaps just sentiment), in the late 1960s to mid-1970s.

How is the wage determined? The equilibrium real wage is that which ensures the amount of labour demanded by firms is exactly that willingly supplied by workers. It is thus determined by the size of the labour force, the capital stock and the state of technology. But we believe that the observed real wage frequently diverges from this equilibrium level.

Consider an increase in the price of raw materials. This will cause inflation in consumer prices but is bound to have a smaller effect on the price received by firms for their value-added. If wage settlements

employed do not sit at that table. Will employed workers take a cut to help unemployed workers in their own industry? Maybe. Workers who might come from another industry? Maybe not.

There is thus a two-way linkage between employment and the wage. Excessive real wages reduce employment. But high unemployment, associated with a weak labour market, eventually drags down pay increases. Where this second linkage, from high unemployment back into pay moderation, is strong, unemployment will tend to be self-correcting.

Another crucial variable is how quickly employment responds to wage changes once they have occurred. For example, in the U.S. unemployment has only a weak effect on the wage, but, in contrast, employment responds very rapidly to wage changes. This means the U.S. suffers when the wage gets off-track, but recovers rapidly

UNEMPLOYMENT PERFORMANCE AND WAGES		
Change in average unemployment rate (%) 1965=1979		
Five most successful countries	0.8	-1.7
Five least successful countries	4.7	-0.2
EEC	3.8	-0.4

1 The initial response of the real wage to a 1 per cent rise in the unemployment rate.

Source: Newell and Symons, Tables 6 and 8

follow consumer prices then the real wage to the firm will rise, and employment fall. In general if the employment level is to remain the same then workers have to take reductions in their consumption wage when the price of raw materials rises; and similarly for taxes. In the short run they do not seem to.

If one believes that the labour market is in equilibrium, one is implicitly asserting that an unemployed worker who genuinely desires work at the prevailing wage can go to employers and offer to work for less, i.e. bid down the wage. But most wages are set intermittently by agreements between firms and employed workers. This means that unemployment does not act instantly to bring the wage to its correct level, but rather has an indirect effect via the bargaining table.

The problem is that the un-

employment does not sit at that table. Will employed workers take a cut to help unemployed workers in their own industry? Maybe. Workers who might come from another industry? Maybe not.

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The author is lecturer in economics at University College London and an associate member of the Centre for Labour Economics at the LSE.

Actions in the U.S.

From Mr M. Michaeloff

Sir—Two features are beginning to emerge in the U.S. which should be added to the inputs of Mr Brittan's article of September 12.

The first is the increasing aggressiveness of the Inland Revenue Service towards many of the exemptions enjoyed so far by the U.S. taxpayers. For instance, the IRS scrutinises tax shelters more rigorously. It does not hesitate to publicly qualify as abusive some of those involving even eminent and powerful members of Congress, with full details in the Press.

The IRS also wants now to tax employees on the health contributions paid by the employers, so far tax free. Likewise the IRS wishes to reduce the percentage of current pre-tax earnings that can go tax-free into retirement schemes.

Thus a squeeze on disposable income and an attempt to reduce the budget deficit. It also seems possible that with the shrinking of the power of the maritime lobby the law forbidding the exportation of Alaska crude could be repealed at last, maybe quite soon.

Exports of crude to Japan would reduce the trade deficit with that country by 30 per cent-50 per cent.

We might thus have at last genuinely lower interest rates brought about by a more vigorous U.S.

Letters to the Editor

economy and a healthier dollar, sooner rather than later.
M. S. Michaeloff,
2 East 55 St,
New York, NY 10022,
U.S.

Using the Ecu

From Mr B. Cassidy MEP

Sir—Alexander Nicol's article about the European currency unit (September 14), was refreshingly positive. It moved discussion of the Ecu from the semi-theological "is it a currency or isn't it?" to practical consideration of how use can be made of it in daily commercial life.

For example, travel agencies dealing with a range of holiday destinations some of whose currencies are unreliable, are using the Ecu to reduce exchange rate uncertainties. Contracts with third world countries associated with the EEC through the LOME Convention can also be drawn up in Ecu. Supplement "S" to the Official Journal of the European Communities gives the rate of exchange of the Ecu against more than 60 such. Your own excellent newspaper publishes each day the rate of exchange of the Ecu against 17 world currencies ranging from the Austrian schilling to the Japanese yen.

During the last 12 months of wildly fluctuating exchange rates of the pound sterling against Continental currencies against each other, all have remained remarkably stable against the Ecu. So, shouldn't more companies involved in international trade be reducing their exchange risk by using the European currency unit?

Bryan Cassidy,
The Stables,
White Cliff Gardens,
Blandford, Dorset.

Electing the chairman

From the Secretary to the Council, Lloyd's.

Sir—I write on behalf of the council of Lloyd's to correct the statement by your City Correspondent (September 17) concerning the eligibility of Mr P. N. Miller, the present Lloyd's chairman, for re-election as a working member of the council. Mr Miller has no power "to waive the usual one year sabbatical period before seeking re-election" and Mr Miller has not sought to do so.

The position under the Lloyd's Act 1982 and bylaws made thereunder is that only the council may determine that the chairman, or deputy chairman, shall be eligible for immediate re-election or expiry of their four-year term.

Potential advantages of a trade off between taxes and wages

From Mr C. Smith

Sir—Mr Weir is half right (September 1) in pointing to my double count of some of the advantages of a substantial VAT cut. He implies the same claim "for a period" on behalf of his preferred IT (income tax) cut. People will have received or negotiated pay rises in anticipation of price rises before these were reversed. But I fear readers can be expected to make sense of this only if I give (round figure) examples.

Consider people earning £260 a week on which £40 is tax free and £80 goes on tax on the balance. Assume that inflation grows steadily at 5 per cent per annum, and that their pay rises at 5.5 per cent gross to keep pace:

Month	1	2
Prices £ ...	200	200.8
Pay after IT 200	200	200

Now suppose an income tax cut from 30 to 25 per cent, as a trade-off for no pay rises, from month 14:

Month	1	2
Prices £ ...	200	200.8
Pay after IT 200	200	200

Compare the similarly schematic, other-things-being-equal,

consequences of cutting VAT from 15 to 7.5 per cent, and halting pay rises, from month 14:

Prices £ ...	200	200.8
Pay after IT 200	200	200

In both cases, purchasing power is increased at plus by about 5 per cent, for neither of us would be foolish enough, politically, to bring in our pay restraint before our tax cut.

The £200 and £200.8 are guesses — perhaps optimistic, because pay is tending to run ahead of prices, and because pay stability has nine months to produce price stability.

Prices rise inch by inch, as it were. Pay rises come annually, a foot or so at a time. Despite this mismatch, it is easier to give a fair deal to all through cutting prices than by cutting

Month	1	2
Prices £ ...	200	200.8
Pay after IT 200	200	200

with the wage structure illustrated would receive eleven

twelfths of 5.5 per cent in month 14 or ten twelfths in month 15 etc—bringing their take home pay up to £210 no later than month 24.

In that way everyone has a 5 per cent increase in purchasing power when prices fall by that amount, and those for whom the gain would be more or less short-lived have it made up to them by a less or more restrained final cost-of-living rise. These tapered increases to pay, pensions and dole are an investment as well as a compensation. The extra spending power fuels the "more expansionary policy stance"—the lift-off indeed—that Mr Weir and I both seek to promote.

The IT option has advantages. Less borrowing (or asset selling) would be needed to finance it. Pay restraint could be left to government bargaining power rather than legislation (but would the full tax cut always be passed on?). Lower pay costs from month 25 (a continuation of the gross rate payable from month 15) would

begin to dent inflation from month 25, so that prices at month 37 would be less than £231.50. But they would not be held (like pay) at the month 14 level—which is where the tapered pay rises might place the VAT-cut month 25 plateau.

And then there is the distributional problem. Not only do people who earn too little to pay tax miss out altogether, those who take home £100 rather than £200 a week presumably get the full wage restraint but only part of the tax benefit. And people who pay tax on money they have not earned receive only the benefit.

I hope Mr Weir will agree that it is the non-divisive VAT cut, bringing pay and price stability, that is the more likely to set job expansion and international competitiveness off on a series of virtuous spirals—which would (incidentally) begin to repay the investment of the Government's lost tax.

Christopher W. Smith,
Tillocks, The Square,
Apsley Guise, Beds.

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FINANCIAL TIMES

Wednesday September 18 1985

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Britain braced for further Soviet reprisals

By Robert Mather in London

BRITAIN'S Foreign Office and its embassy in Moscow were last night steeled themselves for further reprisals by the Soviet Union following Monday's second round of tit-for-tat expulsions of six Russians from the UK.

The general expectation in London was that the Soviets, who decided last Saturday to deport 25 Britons in retaliation for the 25 Soviet diplomats, journalists and businessmen expelled by the UK two days earlier, would continue to act on a head-for-head basis and send home another six Britons.

British officials indicated that, if this were to happen, the Government would continue its strong line. The officials said a wide choice of actions were open to them if Moscow decided to continue what was described by Mrs Margaret Thatcher, the British Prime Minister, during her current visit to Egypt as its "unjustifiable" retaliation.

However, the Government does not foresee that what, at present, looks very much like an endless spiral of mutual reprisals will eventually lead to a break of diplomatic relations between the two countries. Reports to that effect did not reflect the view of British officials.

The officials firmly rejected suggestions that some kind of deal had been reached between Moscow and London under which the expulsions by both sides were being carried out according to a prearranged pattern.

At the same time, they stressed that the Foreign Office was not surprised when Moscow expelled 25 Britons in retaliation for the British deportation of the same number of Soviets, though they admitted that this was at the upper end of the expected scale of reprisals. No one had gone into Thursday's action without a cool appraisal.

In making this claim, the officials were contradicting the conventional wisdom that the Russians could normally be expected to respect an unwritten rule of "proportionality" under which reprisals in the form of expulsions were measured in relation to the size of the community in the Soviet Union of the foreign country concerned.

Both Mrs Thatcher in Cairo and the Foreign Office in London have gone out of their way to counter criticism that the Government was ill-advised to expel so many in the first place, whatever the revelations of Mr Oleg Gordievsky, who defected while head of the KGB operations in Britain.

It has been suggested in some quarters that some of the Soviet journalists expelled from Britain could not, strictly speaking, be described as spies and that their intelligence-gathering activities were no more than journalistic and are normally required to undertake as part of their job.

Officials were adamant that this was a totally incorrect assessment and that Sir Geoffrey Howe, the UK Foreign Secretary, who had put so much effort into improving East-West relations, would never have agreed to jeopardise his policies by deciding on the expulsion of "marginal cases".

Arms talks resume, Page 2;
Moscow trade visit hopes, Page 6

Largest UK union picks black for key position

BY HELEN HAGUE, LABOUR STAFF, IN LONDON

BRITAIN'S largest union has selected a black man as its next deputy general secretary. Mr Bill Morris, who takes the post in the Transport and General Workers' Union (TGWU), is also likely to assume a leading role within the opposition Labour Party.

Mr Morris is the first black in Britain to rise to prominence in either the trade union or Labour Party hierarchy.

The deputy general secretary's post in the union traditionally carries with it a seat on the Labour Party's national executive committee. Mr Morris is likely to take up a place on the committee next year.

Mr Morris is opposed to the establishment of separate black sections within the Labour Party, a stance which allies him with Mr Neil Kinnock, the Labour leader. His accession to the national executive would further boost Mr Kinnock's position on the issue, which

will be hotly debated at the party's conference later this month.

Mr Morris - who has held the post of the TGWU's national transport secretary since 1979 - was yesterday selected as deputy general secretary by the union's national executive from a shortlist of nine.

He was not on an original shortlist drawn up by the union's finance and general purposes committee last week. This was overturned by the executive, which decided to interview all candidates.

In the final runoff against Mr Larry Smith, the union's executive officer, Mr Morris won the post on a 20-17 vote.

Mr Morris said yesterday "I am naturally delighted that the executive council has placed this degree of confidence in me. As regards my colour, I was not the black candidate, but a candidate who just happens to be black. In that sense the only issue was the responsibility afforded to me which I am privileged to carry out."

He hoped his appointment to the number two post in Britain's largest union would be of benefit to the wider Labour and trade union movement.

It demonstrated "that the system works and that members of ethnic minorities could come forward and take a position of responsibility in trade unions."

Mr Morris, who came to Britain from Jamaica in 1945, stressed that his opinions on black sections were his own. "As of now I shall not be privileged to be articulating my own views. If the executive council chooses a position on black sections which is contrary to my own, I shall faithfully carry out that policy."

"I feel it is right that black people should be represented more if we are to claim we are a multiracial society. But I think that black sections do not provide the answer. They lead to divisiveness, and it is a very sterile answer."

Men and Matters, Page 16

New STC chief cuts research budget and squeezes spending

BY JASON CRISP IN LONDON

STC, the troubled British telecommunications and electronics group, is planning a 10 per cent reduction in capital expenditure and research and development between 1985 and 1986, saving £30m (\$40m). The cuts are part of a programme aimed at saving £70m devised by Lord Keith of Castlehead, acting chairman and chief executive.

Lord Keith told his fellow directors in a memorandum: "The group is facing a serious profit and cash flow crisis. It is, therefore, essential that urgent action is taken to reduce the group's cost base. There is ample evidence that STC has become accustomed to the luxury of a 'high cost' structure. That must be corrected without delay."

One of the main justifications for the group's widely criticised £180m rights issue in February was to maintain capital and R & D expenditure.

Lord Keith, who is running STC only until a permanent successor is named, was appointed in August when Sir Kenneth Corfield, the previous chief executive, stepped down following a sharp fall in profits.

Lord Keith, who is a former chairman of the Rolls-Royce aero-engine company, is conducting a review of all STC's activities. Shortly after he took over, the company announced it would omit payment of the interim dividend after announcing an attributable loss of £8.7m in the six months to June 30.

His memorandum details a number of economies in small but highly visible areas. These include the prohibition of first class travel, no funding for Christmas or departmental parties and the withdrawal of private telephone lines. The autumn management conference at a luxurious hotel with a highly-regarded restaurant has been cancelled.

Chairmen and managing directors of the group's operating divisions have been told to reduce costs by 2.5 per cent, which would give an approximate saving of £20m a year. Lord Keith also expects to cut headquarters costs by £5m. The memo adds: "External consultants are to examine compensation and benefits policy, with a target reduction of 2

per cent of compensation, £1.5m per annum."

At last week's extraordinary general meeting in London Lord Keith told shareholders that the company had asked outside consultants Towers, Perrin, Forster & Crosby to review salaries.

Consultants are on Lord Keith's list for areas of expenditure which STC must "remove entirely, or at least dramatically reduce." Yet at the meeting he announced four consultancy appointments. In addition to Towers Perrin, accountants Peat Marwick Mitchell are helping identify the company's core businesses, Arthur D. Little, a U.S. consultancy, is examining its component business and company auditors Arthur Andersen are looking at cash management procedures.

Other areas where Lord Keith hopes expenses will be reduced or eliminated include: business entertaining, car hire subsidies, cars and chauffeurs, company-run garages, corporate advertising and public relations, house newspapers and magazines.

IBM and Nixdorf win orders

Continued from Page 1

data processing contracts but said that 12 companies sought to supply large computers while Nixdorf had won out over "several" domestic and foreign rivals to supply terminals.

IBM's latest coup caps a somewhat fluctuating relationship with the Bundespost. The U.S. company gained a strong position when it won a contract several years ago to set up the computer network for West Germany's videotext system, known as Bildschirmtext (BIT). Relations became cooler in 1983 when the BIT system was behind a strike as they did in 1983.

IBM has long operated plants in West Germany. Its local subsidiary, with more than 27,500 employees,

had sales revenue of DM 11.5bn last year.

The Bundespost's data processing plant is part of a wide-ranging effort to modernise the operations of its army of employees, some of whom carry out work that has changed little in decades. With half a million workers on its payroll, the Bundespost is by far the country's biggest employer.

Since taking over as Minister with the change of government three years ago, Herr Schwarz-Schilling has found himself in continual controversy - particularly over the cost of introducing cable television and the poor public response to BTX so far.

He has also been attacked from

abroad for failing to open up telecommunications contracts more readily to competition from foreign suppliers.

The latest computer contract reflects IBM's strong worldwide position, but it has still raised some eyebrows in West Germany, even though it happens to be balanced by an order for a home-grown company in the form of Nixdorf.

Nixdorf, which went public with an issue of non-voting preference shares last year, has grown rapidly in recent years, with sales revenue up 21 per cent last year at DM 3,77m. Sales showed a further rise of 21 per cent in the first half of this year.

EEC call on Ford distribution backed by court

By Paul Chesswright in Brussels and Kenneth Gooding in London

THE EUROPEAN Commission's efforts to force car manufacturers to supply customers with the cars they want in any EEC country was reinforced yesterday by a judgment of the European Court of Justice.

The Court ruled that the Commission had acted correctly in refusing to exempt Ford of Germany's car distribution system from the Community's competition regulations.

The case sprang from Ford's restriction of its West German dealers in 1982 not to supply right-hand-drive cars to British customers attracted by low pre-tax prices in Germany.

The dispute has been overtaken by events, but Mr Stanley Clinton Davis, the European Commissioner for transport, claimed the judgment was of great value because "it will be to enforce the consumers' right to buy throughout the Community."

Consumer organisations also maintained the court ruling had strengthened the Commission's hand. "It should encourage the Commission to continue with court action where there are restraints on buying cars within the Community," said Mr Tony Venables, director of the European Bureau of Consumer Unions.

The impact of the decision has been considerably lessened by regulations which among other things, insist customers can buy cars anywhere in the Community at the local pre-tax price, without undue difficulty or delay. The regulations came into effect in July this year.

Ford, along with the other manufacturers, has been given until October 1 to sign new agreements with its dealers and to come into line.

For various reasons - including careful pricing by Ford of those cars which were particularly attractive to UK buyers - unofficial imports of the company's models from West Germany have waned from a peak of 5,000 in 1982 to 1,400 the following year, 400 in 1984 and 104 in the first half of 1985.

Mr Clinton Davis said yesterday the Commission was still receiving hundreds of complaints from consumers about various manufacturers' dealers refusing to supply cars, about delivery delays and about being quoted prices well above recommended prices.

"Most letters are from British consumers, denied what they feel they are entitled to," he said. All complaints are being investigated.

The UK Consumers' Association maintained last night that during the next few months "we shall be carrying out thorough surveys of what sort of deals consumers are getting in the various Community countries. We will not hesitate to present the Commission with evidence of manufacturers refusing to supply or putting other obstacles in the way of motorists looking for a good deal."

Ford said it could not comment on the case because it still had to receive the full judgment.

Talbot loss increases, Page 11

Hernu 'link' in Greenpeace sabotage

Continued from Page 1

The Prime Minister's office reacted swiftly yesterday by reiterating M Fabius' pledge that judicial action would be immediately taken against any French citizen who had committed a crime. The Defence Ministry said all steps would be taken to find the truth.

In a further twist, Le Canard Enchaîné claimed the third squad of agents went to New Zealand but did not actually complete the task of blowing up the Rainbow Warrior. Instead, foreign agents, most probably British, blew up the ship

THE LEX COLUMN

A nugget or two from ConsGold

The dark clouds which have been gathering over Consolidated Gold Fields' share price were broken yesterday by a set of glittering results for the year to June 1985. Despite a small drop in the South African contribution, pre-tax profits were up nearly 10 per cent at £115m, and the shares rose 15p to 449p.

Even though metals prices are depressed, Gold Fields is determined to revert to being a pure extraction company and to continue investing heavily in exploration and development of new mines. Like Japanese semiconductor manufacturers, Gold Fields' idea is to throw money at the business during a recession so as to be able to take advantage of an upswing if it ever arrives. Its shorter-term strategy must now be to develop gold mining outside South Africa - it has interests in several new U.S. sites - and to encourage Newmont to deal with its copper loss.

Inside South Africa, gold mining becomes increasingly profitable as the rand falls, but at the same time dividend payouts shrink in Sterling terms. Ideally, Gold Fields needs the rand to stay low, picking up just before the dividends are paid. For the current year, Gold Fields could earn enough to put its shares on a p/e of around 10 - which may not seem expensive given its profits growth and 8 per cent yield, but those South African storm clouds are still on the horizon and show no signs of going away.

Coats Patons

As a sort of pocket BAT, Coats Patons has long been celebrated for currency exposure; but only an idle remark would really use a well-signposted drop in the sterling value of Australian earnings as an opportunity to wallop the share on the interim. The fact that year-end results will probably translate at U.S. and Australian dollar rates much

less favourably than last December's has already played merry hell with assumptions of pre-tax profits above last year's £110m; but a better reason for knocking the shares down 17p to 137p - or right back to their low for this year - is yesterday's reminder that Coats' main business really are not very reliable.

On an unchanged U.S. dollar rate compared with June 1984, the contribution from Coats in North America was down 10 per cent. While Coats is losing business to the imports sucked in by last winter's strong dollar, it is worth noting why Coats is investing in its U.S. die-casting business when customers are looking to move offshore; and the fact that the U.S. business is scarcely growing makes pressure on margins particularly damaging.

More discouraging is the evidence that not all is well in the UK market. There are bound to be increasing difficulties - with, say, children's knitwear or knitting yarn - in such a broad spread of businesses. But the prospect of a re-rating of Coats on its own - as opposed to a bidder's - efforts looks as fanciful as ever.

Fisons

Only the more rampant bulls should have been dissatisfied with Fisons' figures for the six months to June; pre-tax profits came in a third higher at £20.1m, supported by a picture of solid improvement in nearly all parts of the business. Even the mature group of allergy drugs is putting on volume at a good rate; in the U.S. the growth rate was 50 per cent, and an unfavourable cool and wet hay-fever season did not prevent 10 per cent growth in Europe.

Nevertheless, a 10p fall in Fisons' share price betrayed both over-optimism in the market ahead of the results and a touch of anxiety over

the pace of growth that the shares are now looking for. On a very low tax charge - below 25 per cent - Fisons should produce a little over 20p per share of earnings this year; at 330p the multiple of 17 is well above that accorded Glaxo on a tax charge 10 points higher. Although there is enthusiasm for the new chest drug Nedocromil, that cannot be expected to contribute much to profit before the latter half of 1988; the Nedocromil option is pretty fully discounted. Meanwhile, retail, horticulture and scientific equipment should keep earnings growing at close to 20 per cent; but that prospect may not be quite enough to move the share price upwards.

Oil warrants

The disintegration of the old structured system of oil trading - contract cargoes, cartel prices and all - is almost bound to bring increasing volatility in the price; the stability that Opec could not deliver is scarcely going to emerge from the commodity markets.

Anyone with an exposure to the crude price is therefore a potential customer for hedging instruments, such as the warrants which Salomon Brothers is now offering. Like any option product, the warrants wipe out unwanted exposure at a limited cost, while leaving open the possibility of ending up in the money; if oil goes the way of currency and interest rate markets, the growth of futures volume is a good augury for warrants.

For Salomon not to end up with an increased exposure on its own oil account, demand for puts and calls will presumably have to balance. Just at present, however, banks wanting to shed some of the oil-risk underlying their shakier loans may be rather more numerous than petro-chemical companies worried about rising input costs.

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City	Temp	Wind	Cloud	City	Temp	Wind	Cloud
Amsterdam	10	10	10	London	10	10	10
Birmingham	10	10	10	Manchester	10	10	10
Bristol	10	10	10	Newcastle	10	10	10
Cardiff	10	10	10	Edinburgh	10	10	10
Exeter	10	10	10	Glasgow	10	10	10
Gloucester	10	10	10	Leeds	10	10	10
Harrogate	10	10	10	Liverpool	10	10	10
Hereford	10	10	10	Nottingham	10	10	10
Leamington	10	10	10	Sheffield	10	10	10
Leicester	10	10	10	Southampton	10	10	10
Lincoln	10	10	10	Stirling	10	10	10
Luton	10	10	10	Swansea	10	10	10
Nottingham	10	10	10	Torquay	10	10	10
Northampton	10	10	10	Walsley	10	10	10
Oldham	10	10	10	Warrington	10	10	10
Reading	10	10	10	Widnes	10	10	10
Sheffield	10	10	10	Wolverhampton	10	10	10
Southampton	10	10	10	Wrexham	10	10	10
Stirling	10	10	10	Wye	10	10	10
Swansea	10	10	10				
Torquay	10	10	10				
Walsley	10	10	10				
Warrington	10	10	10				
Widnes	10	10	10				
Wolverhampton	10	10	10				
Wrexham	10	10	10				
Wye	10	10	10				

Secretary in Kohl's office defects

Continued from Page 1

the ruling coalition. He is the second suspected agent to be discovered close to the FDP, which has been in government in various coalitions since 1980. Early in August, Frau Sonja Lüneberg, who entered West Germany using a false identity, was a Soviet agent pulled out after the defection to Britain of Mr Oleg Gordievsky, the KGB chief in London.

Federal prosecutors said yesterday that Herr Willner had fled to West Germany from East Germany in 1960. He had been a member of the Waffen SS during the war and joined the ruling Communist Party in East Germany in 1948 after being

released as a prisoner of war by the Russians.

On coming to West Germany, he joined the electronics group, Philips, as a public relations official and then worked as a journalist on the weekly magazine Der Spiegel, before moving to Bonn and the FDP central office in 1965.

Frau Willner worked in the Defence Ministry before moving to the Chancellery. The two married in 1974. Although there were fears in Bonn yesterday that she had access to sensitive information, news agency reports that she had stolen secrets involving the U.S. Strategic

Defence Initiative (SDI) were dismissed as "rubbish" by officials.

Rumours that a secretary in the Chancellor's office was suspected of spying were first reported in late August, and Frau Willner's defection will come as an unpleasant reminder to the Government that the spy scandal may not yet have run its course.

Herr Zimmermann is due to answer a wide range of questions before the parliamentary interior committee before the end of this month. Most concern opposition suspicions that he acted irresponsibly by not dealing with Herr Tiedge's difficulties earlier.

Wednesday September 18 1985



French state computer group heading for profit

BY DAVID MARSH IN PARIS

BULL, the French nationalised computer group, said yesterday it aims to move firmly into profit next year after breaking even in 1984, thanks to much-increased productivity and continued financial help from the state.

The company expects to boost turnover this year to FF1.16bn (€185m) from FF1.13bn in 1984. This would represent an 18 per cent growth rate - a slight slackening of the 25 per cent increase in turnover in the first half of last year.

M. Jacques Stern, the chairman, said the company could show a small profit this year. Bull has not given detailed figures, but said it broke even in the first half of this year on sales of FF1.14bn. This follows a string of losses in recent years which have narrowed from FF1.35bn in 1982 to FF1.62bn in 1983 and FF1.48bn in 1984.

Bull has profited from capital injections from the state of FF1.1bn in both 1984 and 1985. It stands to receive another FF1.1bn under the Government's budgetary plans for 1986. M. Francis Lorentz, managing director, said capital aid has enabled the company to reduce financial charges as a percentage of turnover to 4 per cent or less this year, compared with 9 per cent when the company was taken into full state

ownership in 1982. State aid has also allowed Bull to maintain a heavy investment programme, put at FF1.15bn this year, taking its total over the last three years to FF3.22bn.

Research and development spending this year will total FF1.56bn, making a three-year total of FF4.2bn, while the company has also sharply increased sums spent on training. M. Lorentz said Bull would not be able to maintain investment spending growth rates at the levels of recent years - when investment as a ratio of turnover has risen by about 70 to 80 per cent.

But he pointed out that the company's capital expenditure, at about 8.5 per cent of turnover, was now nearly equal to spending by Japanese computer companies, and above that of its European competitors. The main investment thrust has been geared towards a FF2.2bn automated microcomputer plant on the outskirts of the northern city of Lille, which is due to be opened in the first two months of 1986.

Bull has also built a FF200m international spare parts centre close to Charles de Gaulle airport north of Paris, which is due to be fully operational early next year, and is spending FF400m updating its larger computer factory at Angers, on the Loire.

New orders this year are likely to rise by 15 per cent, with foreign business growing by 20 per cent compared with an 11 per cent rise in France. M. Lorentz said business in France had cooled noticeably in the last few months and warned that this year's slowdown in information technology sales in the U.S. could cause "shock waves" in Europe next year.

Bull, which has moved to building microcomputers compatible with IBM machines over the past year, expects to sell 30,000 Micro microcomputers in 1985, with demand outstripping forecasts. On the export front, it has profited from educational computer orders from Australia, hopes to win soon a similar contract with Spain and has also been contacted by the Soviet Union in connection with the possible supply of computers to schools there, M. Lorentz said.

Bull has been in the forefront of European efforts to harmonise standards and ensure that computers and workstations can be connected to private telephone exchanges for office automation purposes. At the annual Paris computer exhibition, which opens this week, it will be displaying for the first time an electronic message and data transfer system linking computers from Bull, Siemens and ICL.

Pirelli earnings up sharply in year

By Alan Friedman in Milan

PIRELLI SpA, the Italian holding company which controls 46 per cent of the Pirelli tyre and cable group, last night unveiled a 1,650m (€244m) net profit for the year ended June 30 - an increase of 45.8 per cent on the 12-month period.

These are the first comparable figures available since Pirelli last year shifted its year-end to June. The Milan-based company did not release turnover figures yesterday, but Pirelli SpA results generally include earnings from transactions on the Milan hours.

Aside from Pirelli SpA, the group's structure also consists of Società Internazionale Pirelli SA in Basle which has another 46 per cent of the group's operating companies in 16 countries, and Pirelli Società Generale SA, also in Switzerland, with the remaining 8 per cent.

Pirelli SpA said in Milan yesterday it would convene a shareholders' meeting for early November to ask for approval for the issue of 70m savings shares designed to increase the company's equity capital from 1,200 to 1,900. These will be offered on the basis of one new share for every five already held.

The Pirelli SpA dividend is unchanged at 180 an ordinary share and 1,110 a savings share.

Texas grants bank licences to Japanese

By Mary Fringe in Dallas

THREE Japanese banks have become the first foreign financial institutions to obtain agency licences in Texas. Sumitomo Bank will open an agency in Dallas by the end of the year, and Fuyo Bank and Mitsubishi Bank have opted for Houston.

Until the state legislature passed a new banking act in May, after extensive lobbying, only representative offices of foreign banks were permitted to operate in Texas. Now, although foreign agencies cannot take deposits, they can borrow and lend money within the state, issue letters of credit and deal in foreign exchange.

Of about 70 representative offices of foreign banks in Texas, 27 contributed \$2,000 each to a lobbying fund and hired a Houston law firm, Baker & Botts, to represent their interests.

They also enlisted the support of the Houston and Dallas Chambers of Commerce, which saw a possible influx of foreign banks as a boost to the oil-depressed Texas economy.

Although several large Texas banks supported the new law and others pledged their neutrality, Dallas-based Republic Bank Corporation - the 18th largest U.S. bank - claimed it gave foreign banks an unfair advantage.

U.S. insurer buys Jennison

By Terry Dodsworth in New York

PRUDENTIAL Insurance, the largest U.S. insurance group, has acquired Jennison Associates Capital Corporation, a closely held New York money management company, in a deal valued at \$20m.

The move follows similar acquisitions by other large U.S. insurance groups, and underscores the growing importance of independent money management groups, which have become an increasingly strong factor in the market for managing institutional funds.

Jennison manages around \$15m in assets for a variety of institutional clients, including corporate benefit plans and endowments, and Prudential says that it will add to its own capabilities in managing stock and bond portfolios.

HNG agrees to sell division

HNG-Internorth and Uillecorp United have signed a definitive agreement under which Uillecorp will buy HNG-Internorth's Peoples Natural Gas division for an undisclosed amount, AP-DJ reports.

The sale is expected to be completed by the end of the year.

In 1984 Peoples had operating revenue of \$672m.

FLOTATION PLANS REVEAL PROFITABILITY OF SECRETIVE U.S. BROKER

Bear, Stearns opens the books

BY PAUL TAYLOR IN NEW YORK

WALL STREET, just like everyone else, loves unwrapping surprises. So when Bear, Stearns - the 11th largest Wall Street firm and one of the 36 primary dealers in Government securities - disclosed its plans to go public last week after 62 years as a private partnership, its Securities and Exchange Commission (SEC) filings drew more than passing interest.

As one of the last three large privately owned brokerage partnerships left on Wall Street - Goldman Sachs and Morgan Stanley are the other two - Bear, Stearns' revenues and profits had always been a jealously guarded secret and the subject of much speculation.

Now the numbers are out, and they confirm Bear, Stearns' reputation as a profitable, aggressive, risk-taking and innovative firm which has managed to post healthy earnings even in Wall Street's periodic "famine" periods like fiscal 1984.

They also tend to validate Bear, Stearns' selective approach, leading it to carefully pick specialist market niches - such as arbitrage and the highly profitable clearing business.

Even while competition and fast-changing markets were eroding earnings at some of the biggest Wall Street investment houses and sending a few of them into the red, Bear, Stearns was reaping hand-

some returns. Total revenues increased more than fourfold between 1981 and 1985 to \$1.8bn, while net income, after peaking in 1983 at \$200m, comfortably topped the \$180m mark in both the past two years.

Indeed, the numbers show the firm - which helped pioneer block trading under the leadership of Salim Lewis, one of Wall Street's legendary traders - has produced better than 50 per cent returns on its partners' capital in recent years.

Nevertheless, the numbers do illustrate the volatility of some of the firm's businesses. For example, revenues from principal transactions fell to \$612m in fiscal 1984 from \$1924m in the previous year only to rebound to \$1233m in the latest fiscal year ending April 30.

But while Bear, Stearns has won plaudits for its apparent continued earnings power, even in such volatile trading periods, the initial public offering of 8m shares underlines a key reality on Wall Street.

As the firm's prospectus itself notes, increased competition from firms with greater capital resources and from "new entrants" to the securities industry like the commercial banks, coupled with the eliminations of fixed minimum commission rates and the adoption of rule 415 (the so-called shelf-registration rule), have made Wall Street

a tougher place to make money - and placed a premium on a large and expanding capital base.

Although Bear, Stearns has rapidly increased its partners' equity capital from \$100m in 1981 to \$250m at the end of April, pushing total capital, including subordinated debt, up to \$514m, it is still dwarfed by the giants of Wall Street such as Merrill Lynch, Shearson Lehman Brothers, Dean Witter and E. F. Hutton, which all have total capital exceeding \$1bn.

The public flotation - which will result in outsiders holding a 16.7 per cent stake in a newly formed holding company - will raise an estimated \$190m in new equity capital, based on a share price of \$23.50 a share - roughly twice the company's book value - and push total capital up to almost \$700m.

The company also indicated that after the stock offering due next month, it may also raise an extra \$100m in capital by selling debt and increasing the amount of money it can tap under a revolving credit line with a group of banks.

The price the firm's 96 partners, called managing directors, will be paying for this capital infusion will be to give up the veil of secrecy that has surrounded their operations in the past - together with a slice of equity in the new holding company.

Initially, the partnership will control 75.9 per cent of the new company's 44m shares, or almost 78 per cent including the stake held by other company officers. But, on a fully diluted basis, assuming full conversion of preferred stock and allowing for certain other share transactions, this stake rises to 81.2 per cent. Other employees will hold a 2.1 per cent stake.

But the transition should not prove too painful. Bear Stearns' chief executive, Mr Alan C. Greenburg, known as "Ace" Greenburg, aside from retaining a stake in a new partnership which will be the main subsidiary of the new publicly quoted company, will hold other shares valued at about \$11m.

The proposed salary and bonus plan for the new company is generous. Each of the 96 managing directors will receive an annual salary of just \$150,000. But they will also share in a \$20m "supplementary salary fund" and a bonus plan tied to the firm's profitability.

Perhaps equally important, the public flotation will make the partners' interests in the firm more liquid. It will allow these senior executives relatively easy access to their capital in the new firm, for example, when they retire - by selling their shares - and thereby resolve a problem that continues to dog Wall Street's few remaining private partnership firms.

More U.S. than non-U.S. companies had made approaches, though these did not include Japanese. It is understood Hutton has been given six months to put the deal in place. Intermediate deadlines have also been set.

Bridgeport is showing new vertical machining centres at Hannover. The UK company also makes Japanese horizontal machining centres under licence from Yasuda

people, mostly in Connecticut in the U.S. Nearly 900 people are employed in the UK.

The proposed sales - Textron did not specifically describe the deal as a management buyout - will include all Bridgeport plants.

Mr Jeremy Gough, sales director for Bridgeport's UK operation, which also handles non-U.S. sales apart from South America, said a number of companies had been interested in buying Bridgeport.

Bridgeport employs around 3,000

Management team set to buy Textron

BY ANDREW FISHER IN HANOVER

BRIDGEPORT, the U.S. machine-tool company which is one of the best-known in world markets, looks set to be sold by Textron, its conglomerate parent, to a management team backed by the E. F. Hutton financial company.

Textron said it had signed a letter of intent with E. F. Hutton and a management team including Mr Joe Clancy, president of Bridgeport. No figures were given in the brief Textron announcement released at

the international machine-tools exhibition which opened in Hanover, West Germany, yesterday.

Textron put Bridgeport, which has a major operation in the UK and a plant in Singapore, on the market earlier this year as part of its debt-reduction programme.

Shearson Lehman Brothers is representing Textron in the Bridgeport deal, expected to be completed by the end of this year.

Bridgeport employs around 3,000

people, mostly in Connecticut in the U.S. Nearly 900 people are employed in the UK.

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Switch of focus behind call to boost U.S. bank capital

BY DAVID LASCELLES, RECENTLY IN NEW YORK

MR PAUL VOLCKER's proposal in congressional testimony last week that U.S. banks should boost their capital from 6 per cent to 9 per cent of total assets seems, in the face of it, a steep increase, and certainly more than banks in other countries are required to have.

But, while the Fed chairman was pursuing the line now taken by bank supervisors around the world that bank balance sheets must be strengthened, he would not have cited such figures unless he thought banks could achieve them without straining either themselves or the capital markets.

The banks had already been alerted that an increase of this order was being considered by U.S. bank regulators. Mr William Isaac, the chairman of the Federal Deposit Insurance Corp (FDIC) told a conference of international bank supervisors in Rome a year ago he thought 9 per cent was necessary in view of the risks in banking today.

In 1981, the U.S. authorities established a 5 per cent ratio of primary capital to total assets as the minimum. Three years later this was raised to 5.5 per cent. Primary capital consists of equity, perpetual preferred stock, the loan-loss re-

serve and some minor items, all of which are deemed permanently available to meet loss.

Of the leading U.S. banks, all are now above the 5.5 per cent level, except Bank of America whose recent losses forced it into the rare and drastic step of cutting its dividend. (Its ratio stands at 5.2 per cent.)

However, Mr Volcker was careful to state the proposed increase in terms not of primary capital but of total capital - a broader definition which includes other categories of capital, notably dated loan stock, or debt.

With this definition, most U.S. banks are already fairly close to the

9 per cent level, except for Bank of America.

Mr Volcker appears to be switching definition in recognition of the fact that the present state of the capital markets makes it hard for U.S. banks to raise primary capital, particularly equity. Major bank stocks are selling at an average discount of nearly 50 per cent from their net asset value.

So Mr Volcker's prompting may, Wall Street analysts believe, lead to a spate of bank debt issues, rather than sales of common stock.

The switch of focus from primary to total capital is not altogether flattering for some banks, though. Morgan Guaranty, one of the strongest banks in terms of primary capital, slips well behind other banks in terms of total capital - ironically because it has a lot of equity and little debt. By the same token, though, this gives Morgan plenty of scope to raise more debt.

Mr Volcker's remarks could be a precursor to action by the U.S. banking authorities on another front: to include off-balance sheet business in capital ratios, as other countries are doing. Although such action still seems a long way off, it is beginning to loom in bankers' calculations.

Swiss franc zero stirs interest

THE FIRST issue of zero coupon bonds in the Swiss foreign bond market stirred traders' enthusiasm yesterday, writes Maggie Urry in London.

The deal, for the Commonwealth Bank of Australia, has a face value of Sfr7.7bn and is being led by SBC.

The seven-year private placement offers investors the same yield as last week's coupon issue from the same borrower - the issue price was set at 70.8, giving a yield to redemption of 5.10 per cent.

The tax treatment of zeros varies from country to country, though most investors will have to pay tax at redemption. Swiss investors have bought zero coupon Eurobonds before but this innovation in the Swiss franc market was welcomed yesterday.

The Eurodollar market was feeling anti-climatic after the excitement of Monday's UK floating rate note, which continued to trade around the 99.58 level. Two fixed-rate issues were launched, for Mitsubishi Trust Finance (Asia) and for Mitsui Finance (Asia). Neither are "smoke" bonds (which can be sold to Japanese investors without adding to their foreign bond holdings) and both came at more realistic prices. However, both were trading only just inside their commissions.

Mitsubishi Trust's was its first Eurobond issue and has an AAA rating, so it proved the more popular of the two. The \$100m issue has a 10-year life, pays a 10 1/2 per cent coupon and was priced at 99 1/2 by Merrill Lynch. Fees are 2 per cent.

The Mitsui Finance issue, guaranteed by Mitsui Bank, is also for \$100m, has a five-year life, a 10 1/2 per cent coupon, a 100 1/2 basis price and was led by Mitsui Finance International.

Eurodollar bonds firmed slightly yesterday and the improved tone could encourage new issues. Bid-

ding for sovereign and supranational names was in evidence.

Merrill Lynch is expected to launch a \$300m floater for Ireland this morning. It is rumoured to have a 15-year life and to use the mix-match structure.

Banking Paribas won the mandate for a \$1.75bn floater for Crédit National, France, on terms considered tight by traders. The issue is to refinance old debts and the group is designed to include a number of continental European banks.

The 10-year issue was priced at 100.05 and is callable at par after one year. Interest will be paid at 1/2 per cent above three-month London interbank offered rate and fees are 13 basis points. The bonds were trading just above the 99.94 level

where co-managers own them.

Orion Royal Bank launched a C\$50m 10-year issue for Ville de Laval, near Montreal. The coupon was set at 11 1/2 and issue price at par. The bonds are likely to move slowly and no active trading was seen yesterday.

In the Swiss franc secondary market, prices were unchanged to slightly firmer on average.

Traders in the D-Mark bond market are still awaiting an expected issue for the World Bank. The secondary market was quiet with prices unchanged.

Mr Im Schmiegelow, formerly a director of Hambros Bank, has joined First Chicago as a senior vice-president.

International bond service
Page 23

OTC index deals begin

BY ALEX NICOLL IN NEW YORK

THE PHILADELPHIA stock exchange, which pioneered listed currency options, today begins trading the first futures contract to be based on an index of over-the-counter equities.

The exchange has offered options since June on its index, which comprises 100 stocks weighted by capitalisation and is known as the XOC. It is hoping that trading in the two contracts side by side will aid the volume of each.

Stock indices have so far been dominated by listed equities. OTC indices are designed to offer hedging mechanisms, as well as an additional trading vehicle, to investors focusing on the over-the-counter market. The Chicago Board of Trade and the Chicago Mercantile Exchange both plan to introduce OTC contracts soon.

The Philadelphia contract, the first future to be traded on the ex-

change, will be worth 500 times the value of the index, or \$82,000 with the index standing yesterday at about 194. The option already traded is worth 100 times the value of the index.

The European Options Exchange in Amsterdam and the Montreal exchange are to open what is thought to be the first fungible currency option contract, sells Maggie Urry in London. It will be based on £100,000 against the U.S. dollar.

The specification of the contract in the different exchanges will be identical. Investors can buy in one exchange and sell in another, with settlement handled by the International Options Clearing Corporation. The trading day will last for 10 1/2 hours, starting at 9.00 GMT in Amsterdam.

The option will start trading on September 23.

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Williams & Glyn's Bank Limited**U.S.\$75,000,000 Floating Rate Capital Notes 1991**

Unconditionally and irrevocably guaranteed as to payment of principal and interest by The Royal Bank of Scotland Group Limited

For the six months from 18th September, 1985 to 18th March, 1986 the Notes will carry an interest rate of 8 1/4% per annum.

The interest payable on the relevant interest payment date, 18th March, 1986 against Coupon No. 13 will be U.S.\$44.31 per U.S.\$1,000 note.

Bankers Trust Company, London

DnC**Den norske Creditbank**

US\$150,000,000

Floating Rate Capital Notes due March 1991

In accordance with the provisions of the Notes, notice is hereby given that for the six month interest period from September 17, 1985 to March 17, 1986 the Notes will carry an interest rate of 8 1/4% per annum and the Coupon Amount per U.S.\$10,000 nominal of the Notes will be U.S.\$44.36 and per U.S.\$250,000 nominal of the Notes will be U.S.\$11,234.00

September 18, 1985
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

INTL. COMPANIES & FINANCE**Journalists' union joins UPI bidding**

BY PAUL TAYLOR IN NEW YORK

UPI, the troubled 78-year-old news agency operating under Chapter 11 of the U.S. bankruptcy code, said it had received "numerous expressions of interest" from prospective buyers - including an offer from the local journalists' union.

Mr Luis Nogales, the news agency's chairman, declined to specify the number of bids or the identity of the bidders although UPI itself reported last weekend that they included several investor groups.

Mr Nogales said: "Confidentiality is essential, and therefore we do not plan to make more comments until we are further along in the selection and negotiation process."

The union, which has recently been embroiled in protracted contract talks and a series of legal cases, said its preliminary offer was the latest step in its "comprehensive efforts to protect the employees of UPI during the bankruptcy" and involves a purchase "either by the employees alone or in a joint

venture with one or more purchasers."

UPI, which filed for protection from its creditors in April, revealing that it owed nearly \$45m, has recently managed to report monthly operating profits after more than two decades of continuous losses.

The investor groups reportedly interested in acquiring the wire service include one led by the chairman of Indianapolis-based Curtis Publishing, another led by a Houston property developer and a third led by a former CIA director.

UPI officials had said previously that they expected between five and 10 preliminary offers. Earlier this year an unidentified investor group bid \$14m for the wire service, an offer which was rejected. Reporters, the international business information group, is also rumoured as a potential bidder although the British-based group pulled out of takeover talks in June.

Siemens buys stake in Italian company

BY JOHN DAVIES IN FRANKFURT

SIEMENS, the West German electrical and computer concern, is linking up with a small Italian company as part of its strategy of building up involvement in aspects of factory automation.

The West German group is buying a 49 per cent stake in ECS (Electric Control Systems) a Florence-based company with 200 employees and a projected sales revenue this year of DM 35m (\$12.15m), for an undisclosed price.

Siemens said yesterday that the two companies would co-operate in supplying numerically-controlled systems, for machine tools and in the broad area of industrial automation.

The deal, although modest, re-

fects Siemens' decision to target the "factory of the future" as one of its top priority areas for investment and sales growth. This strategy also was behind its unsuccessful bid to buy Allen Bradley, the major U.S. factory automation specialist, early this year.

ECS will continue to operate as an independent company, but co-operation with Siemens will give it access to a wider range of products and systems.

Siemens foresees growing demand for factory automation in Italy. With increasing emphasis on supplying complex systems rather than products, Siemens said there was more need to be close to potential customers.

Canadian Pacific to speed CPE merger

BY ROBERT GIBBENS IN MONTREAL

CANADIAN Pacific hopes to complete its merger with the 70 per cent-owned Canadian Pacific Enterprises (CPE) before the year-end and press ahead with expanding its profitable subsidiaries and bringing the laggards back to health, said Mr William Stinson, company president.

Minority shareholders in CPE would get 1,675 shares of Canadian Pacific for each CPE share, representing a premium of more than 12 per cent over the market price of CPE before the merger was announced.

Mr Stinson said Canadian Pacific,

as the single surviving holding company, would increase its equity base by C\$1.3bn (U.S.\$948m) as a result and future financing would be easier. He added that the company had no near-term plans for raising equity beyond an extended dividend share-purchase programme.

CP Rail will have a net cash shortfall of about C\$200m a year for the next two years, while the C\$800m Western Canada tunnel and track twinning project is completed. But this is not a problem for a group of Canadian Pacific's size, he said.

David group approved

BY FAY GJESTER IN OSLO

THE GOVERNMENT has approved a new Norwegian life insurance company - the first new operation in this sector to be started in Norway since 1839.

The founding group has subscribed Nkr 14.5m (\$1.7m) of the initial Nkr 30m share capital. The rest will be raised through public subscription next month.

The new company, the David group, hopes to compete with established companies by holding down administrative costs and selling policies direct to customers. It will be-

gin operating on December 2 to allow it to benefit from year-end business generated by Norwegian tax rules.

The David group's licence permits it to pay a dividend up to 5 per cent higher than its average return on capital. This will be regarded as an upper limit.

During its first few years it is unlikely to pay a dividend.

The launch of the group coincides with a gradual opening up of the Norwegian financial markets to internal and external competition.

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In accordance with the provisions of the Notes, notice is hereby given that for the six month interest period from 18th September, 1985 to 18th March, 1986 the Notes will carry an interest rate of 8 1/4% per annum. The interest amount payable on the relevant interest payment date which will be 18th March, 1986 is U.S. \$433.65 for each Note of U.S. \$10,000.

Credit Suisse First Boston Limited
Agent Bank

U.S. \$100,000,000**Arab Banking Corporation (B.S.C.)**

(Incorporated with limited liability in the State of Bahrain)

Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the six month interest period from 18th September, 1985 to 18th March, 1986 the Notes will carry an interest rate of 8 1/4% per annum. The interest amount payable on the relevant interest payment date which will be 18th March, 1986 is U.S. \$436.79 for each Note of U.S. \$10,000.

Credit Suisse First Boston Limited
Agent Bank

**BANK FÜR ARBEIT UND WIRTSCHAFT A.G.**

(Incorporated with limited liability in Austria)

U.S.\$40,000,000

Subordinated Floating Rate Notes due 1990

In accordance with the terms and conditions of the above-mentioned Notes notice is hereby given that the Rate of Interest has been fixed at 8 1/4% per annum and that the interest payable on the relevant interest payment date, March 18, 1986 against Coupon No. 7 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$443.07.

September 18, 1985, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

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A million people want a place to play

This year about a million people will be visiting the Mersey Waterfront.

From far and near they will be coming to the historic Albert Dock Village - the country's largest group of Grade One Listed Buildings - currently being restored in a multi-million pound project comprising shops, businesses, entertainments and the famous Merseyside Maritime Museum. By 1988 Albert Dock will also be home of the 'Tate in the North', bringing one of the country's finest collections of contemporary art to Liverpool.

People will be visiting the nearby Festival Gardens, over 70 acres of spectacular gardens and events, all on the site of last year's International Garden Festival, the country's largest tourist attraction of 1984.

Albert Dock Village and the Festival Gardens are just part of an imaginative and exciting riverside development. A development where a million people will discover 68 acres of newly restored waterspace, right in the heart of Liverpool.

Large areas of land are available, land ideal for housing projects, sports and leisure facilities, entertainment complexes plus many exciting marine based activities. These superb riverside sites, together with a million people visiting the Mersey Waterfront offer tremendous opportunities for development and investment.

Working closely with the private sector, Merseyside Development Corporation is creating a unique environment, bringing prosperity and people to this revitalised waterfront.

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Find out how - 'phone Alex Anderson today.



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Financial Times Wednesday September 18 1985

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INTERNATIONAL COMPANIES and FINANCE

Advance in earnings at Bell Group

By GORDON CRAME

BELL GROUP, the master investment vehicle controlled by Mr Robert Holmes a Court, yesterday coupled the announcement of a strong profit advance in the year to June with plans for a one-for-one scrip issue.

The news was favourably received on the Sydney Stock Exchange, where Bell shares gained 40 cents to \$9.80, valuing the group at some \$717.3m (US\$486.6m).

After-tax profits for the period jumped 62 per cent to \$365.7m. These were struck before the inclusion of an \$835.1m extraordinary credit, which the company said repre-

sented its share of the \$141m proceeds from the sale last December of a controlling stake in Weeks Australia.

The 55 per cent holding in the oil explorer owned by Bell Resources, an energy and mining affiliate, was bought by Peke-Wallenda. This took the attributable result at Bell Group just above the \$100m mark.

Of the \$825.2m rise in net operating profits, however, some \$522.3m was accounted for by Bell Group's decision to adopt for the first time an equity accounting method for its associate companies including Bell Resources.

But the company added that

post-tax holding costs of \$217.4m were deducted prior to these calculations. In addition, general interest charges rose from \$214.6m to \$255.4m — an increase which, it was suggested by some Australian brokers, reflected in part the costs of maintaining Bell's stake of some 3 per cent in Broken Hill Proprietary, the resources giant.

The BHP holding, worth nearly \$250m, was acquired mainly as the result of bid forays made by Mr Holmes a Court on Australia's largest company. It has indicated no intention of divesting this and, indeed, is thought possibly to be

preparing another attempt to secure a strategic stake in BHP.

Non-operating income for Bell Group—which would include a contribution from BHP dividends—was given as \$811.4m for the year, a turnaround from a loss of \$587,000 in 1983-84. The dividend is being maintained at 10 cents a share.

The scrip issue, for which shareholders on the register from the end of December will qualify, follows a one-for-five issue made this time last year. Bell Group has made bonuses of this nature in each of the last seven years.

Marginal first-half rise for Kirin

By Yoko Shihata in Tokyo

KIRIN BREWERY, which occupies the dominant position in the Japanese beer market, has been able to report a marginal earnings improvement for the half year to July, amid a fierce sales battle with makers of shochu — the cheap, clear spirit which has become the fashionable youth drink.

The company, which accounts for more than 60 per cent of Japanese beer sales, said yesterday that pre-tax profits for the period were ¥38.9bn (\$161.2m) against ¥38.8bn. Net profits were ¥14.1bn, up 12 per cent, on sales, which at ¥64.9bn, were ahead by 4 per cent.

The onslaught of shochu seriously affected beer sales which dropped 5.3 per cent overall in 1984 and also devastated domestic whisky demand.

Under these circumstances, Kirin had initially projected pre-tax profits for the current full year to next January down by 5.4 per cent to ¥63bn. However, a recovery in demand was discerned from May, aided by a hot summer, and the company has revised upward its forecast of pre-tax profits to ¥68bn, which would be 2.1 per cent up on the previous year.

During the first half, Kirin's beer sales in volume dropped by 1.4 per cent, but grew 4.4 per cent in value due to price increases. Higher material costs were more than offset by a more favourable financial balance.

The company expects full year sales of ¥118.7bn, up 2.4 per cent, with net profits of ¥28bn, up 11.5 per cent. It plans to keep its annual dividend unchanged at ¥7.5 per share, which includes a ¥3.75 interim payout.

Record results at ITC

By P. C. Mahanti in Calcutta

ITC, the British American Tobacco offshoot in India has turned in excellent results for the year to June with turnover, pretax, and after tax profits all rising handsomely.

According to preliminary working results, turnover exceeded Rs 8bn (\$48m) up 15 per cent from the Rs 6.9bn of 1983-84. Pretax profits were Rs 261.5m against Rs 252.5m and after-tax profits were Rs 81.4m compared with Rs 75.9m.

The dividend is the highest ever at 22.5 per cent against 20 per cent last year.

Mr J. N. Saproo, the chairman, has contradicted press reports that there is a move on the part of BAT to dispose of its holdings in the Indian company. The reports are absolutely baseless, he said. He went on to add "There is nobody in India who can buy ITC except the Government." In any case public financial institutions already hold about 34 per cent of the equity while the UK parent holds only 32 per cent. In fact ITC's directors are exploring new avenues of investment and growth in the coming years, they say, and the company remains in excellent financial health.

● Metal Box India, the local subsidiary of British multinational of the same name, continues to be deeply in the red. In the 18 months to March, the company lost Rs 58m (\$4.5m) compared with Rs 97m in the previous 12 months.

The management says the rate of loss-making has come down and it expects further improvement in the next few years.

Turnover during the period was Rs 1.9bn compared with Rs 2.9bn in the previous year.

Mr B. Mitter, the chairman, who faced a hostile shareholders meeting (shareholders were annoyed that the dividend has again been skipped) explained the company's plan to resume profitable working. The bearing unit has been sold to Tata Steel and the loss-making paper and plastic unit in Calcutta is up for sale. The company is also trying to get rid of its stake in a Bombay subsidiary called Kosmek Plastics and the PVC bottling plant at Kandla Port will be closed. These moves would leave the company to concentrate on its original containers and packaging lines.

Komatsu just ahead at midway

By CARLA RAPOPORT in Tokyo

KOMATSU, the world's second largest manufacturer of construction machinery, has reported a 4 per cent increase in pre-tax profits for the six months to June, on sales up 13 per cent.

The group said sales of construction equipment, which account for 76 per cent of the total, were up 10.3 per cent despite extremely fierce competition.

Earlier this year, the European Community charged Komatsu and other Japanese

construction machinery makers with dumping their products. As a result, it imposed stiff anti-dumping tariffs on Komatsu's European exports.

Sales in the six months advanced to ¥396.5bn (\$1.65bn) compared with ¥382.7bn. Consolidated pre-tax profits were up to ¥31.5bn from ¥30.3bn, while net income was up only 2 per cent at ¥14.2bn from ¥13.9bn. Earnings per share were down to ¥16.5 from ¥17.1.

The company said that it

Japanese venture for Schroder Wagg

By OUR TOKYO STAFF

THE BAIL-OUT by Toshiba earlier this year of Sord Computer, once the darling of the venture capital business in Japan, has apparently not dampened foreign enthusiasm for the sector.

Schroder Wagg, the British merchant bank, has tied up with Pacific Technologies Ventures (PTV), a Tokyo-based venture capital company to advise on investment in high-growth venture capital backed companies in Japan. The joint venture, called Schroder PTV Partners, is due to start operations next week.

The two companies have

recently been increasing world-wide interest in investment in high-growth and high-technology Japanese companies.

Foreign Venture capital in Japan is injected mainly by setting up funds in partnership with Japanese venture capital companies. Of these the most notable has been Arabian Gulf Investment (Far East), which established the Hong Kong-based Agitel Japan Small Companies Fund. Advised by an active Japanese venture capital company, Yamaichi Uni Ven, it swiftly placed the available funds in Japanese venture businesses. West German funds are also newcomers to the market.

Malayawata loss deepens

By WONG SULONG in KUALA LUMPUR

MALAYAWATA, Malaysia's highest steel producer, has been hit by high interest charges and oversupply in the market to report a bigger loss of 37.2m ringgit (\$15m) for the year ended March compared with a previous loss of 11.3m ringgit.

The company said interest charges went up to 30.4m ringgit from 18.6m ringgit due to higher borrowings incurred to finance the installation of a second rolling mill.

Although the second mill has

JAPANESE COMPANY RESULTS

CANON

Cameras, business machines

Half-year to	Jun '85	Jun '84
Revenues (bn)	469	379
Pre-tax profits (bn)	42.86	35.81
Net profits (bn)	17.51	15.01
Net per share	26.43	27.50

CONSOLIDATED

KUBOTA

Farm machinery

Three months to	Jul '85	Jul '84
Revenues (bn)	124	121
Pre-tax profits (bn)	3.16	5.72
Net profits (bn)	1.51	2.21
Net per share	22	33

CONSOLIDATED

TRIO-KENWOOD

Audio equipment

Year to	May '85	May '84
Revenues (bn)	117	101
Pre-tax profits (bn)	2.63	1.56
Net profits (bn)	1.50	0.33
Net per share	32.95	8.38

CONSOLIDATED

SAIB in the red at six months

By DOUG GRAHAM in Riyadh

SAUDI INVESTMENT BANK (SAIB) has reported a U.S.\$383,000 loss for the first six months of 1985, in line with the lower first-half incomes reported by the Kingdom's other banks. For the same period last year, SAIB posted a profit of U.S.\$2.97m.

SAIB said the losses were attributable to the placing of \$5.47m in reserves to cover possible loan losses. Assets increased by 10 per cent to \$1.04bn. Total loans and advances fell 10 per cent

HEPWORTH CERAMIC HOLDINGS PLC

INTERIM REPORT

RESULTS IN BRIEF

	6 months to 30th June, 1985 £'000	6 months to 30th June, 1984 £'000	Year ended 31st December, 1984 £'000
TURNOVER	190,849	189,968	377,676
PROFIT BEFORE TAX	13,542	20,055	35,230
EARNINGS PER SHARE	4.5p	7.4p	14.12p
DIVIDEND	2.90p Interim	2.75p Interim	6.75p Final

Statement by the Chairman, Mr. Peter Goodall, CBE, TD

The trading conditions in the first half of the year have followed very largely the pattern of trading conditions in the second half of last year except only that business in the first two months of the period was at a very low level due to extreme weather conditions.

Since April, however, there has been a good recovery and as I write this statement I am glad to say that this is still continuing.

During the period under review we have,

of course, acquired the British Steel Corporation Refractories operation and this has now fitted in well with GR-Stein Refractories Limited and is proving to be a most valuable acquisition.

I am very pleased to welcome to the Board as a Non-Executive Director Professor Roland Smith, Chairman of House of Fraser plc, and Mr. J. R. W. Ansell who has been appointed Group Finance Director.

Peter Goodall

HCH

Leaders in refractories, industrial sands and clayware and prominent in plastics, foundry resins & equipment, engineering etc.



UNION BANK OF SWITZERLAND (SECURITIES) LIMITED

A Member of the UBS Capital Markets Group

INTERNATIONAL ISSUE MANAGER AND MARKETMAKER

has appointed the following as
EXECUTIVE DIRECTORS

Michael J Barnes

Thomas Hoepli

Dr Robert V Hoyos

John A McNeil

The Stock Exchange Building
London EC2N 1EY

Telephone: 01-588 6666 Telex: 8811604

This advertisement complies with the requirements of the Council of The Stock Exchange. It does not constitute an offer of, or invitation to the public to subscribe for or to purchase, any securities.

U.S. \$100,000,000



Wells Fargo & Company

(a California Corporation)

Floating Rate Subordinated Capital Notes Due 1997

The following have agreed to subscribe or procure subscribers for the Notes:

Credit Suisse First Boston Limited

Merrill Lynch International & Co.

Morgan Stanley International

Bank of Tokyo International Limited

Bankers Trust International Limited

Banque Nationale de Paris

Deutsche Bank Capital Markets Limited

Goldman Sachs International Corp.

Morgan Guaranty Ltd

Salomon Brothers International Limited

Shearson Lehman Brothers International, Inc.

S. G. Warburg & Co. Ltd.

The issue price of the Notes is 100 per cent. Application has been made for the Notes constituting the above issue to be admitted to the Official List by the Council of The Stock Exchange.

Interest will be payable quarterly in arrear in December, March, June and September of each year, the first payment being made in December 1985.

Listing Particulars relating to the Notes and the Company are available in the statistical service of Extel Statistical Services Limited and may be obtained during usual business hours up to and including 20th September, 1985 from the Company Announcements Office of The Stock Exchange and up to and including 2nd October, 1985 from:

Credit Suisse First Boston Limited,
22 Bishopsgate,
London EC2N 4BQ

Cazneau & Co.,
12 Tokenhouse Yard,
London EC2R 7AN

Morgan Guaranty Trust Company of New York,
Morgan House,
1 Angel Court,
London EC2R 7AE

18th September, 1985

U.S. \$150,000,000



MARINE MIDLAND BANKS, INC.

(Incorporated in Delaware)

Floating Rate Subordinated Notes Due 2009

In accordance with the provisions of the Notes, notice is hereby given that for the three month Interest Period from 18th September, 1985 to 18th December, 1985 the Notes will carry an Interest Rate of 8½% per annum. The interest amount payable on the relevant Interest Payment Date which will be 18th December, 1985 is U.S. \$214.86 for each Note of U.S. \$10,000 and U.S. \$1,074.31 for each Note of U.S. \$50,000.

Credit Suisse First Boston Limited
Agent Bank

US \$40,000,000

INDUSTRIAS RESISTOL, S.A.

(Incorporated in the United Mexican States)

Floating Rate Notes Due 1988

In accordance with the provisions of the Fiscal Agency Agreement between Industrias Resistol, S.A. and Continental Illinois National Bank and Trust Company of Chicago, dated as of 8th September 1981, notice is hereby given that the Rate of Interest for the next six month Interest Period has been fixed at 9½% p.a. and that the interest payable on the relevant Interest Payment Date, 19th March 1986, against Coupon No. 9 in respect of US\$50,000 nominal amount of the Notes will be US\$2,341.06 and in respect of US\$5,000 nominal amount of the Notes will be US\$234.11.

Agent Bank

First Interstate Capital Markets Limited

19th September, 1985

This announcement appears as a matter of record only.

GRAND METROPOLITAN PLC

U.S.\$300,000,000
Multiple Facility

Lead Managers

S. G. Warburg & Co. Ltd.

Citicorp Investment Bank Limited

Managers

Bankers Trust Company
Commerzbank Aktiengesellschaft
London Branch
Credit Suisse
London Branch
Irving Trust Company
The Mitsui Bank, Limited
The Sumitomo Bank, Limited
Toronto Dominion International Limited
Citibank, N.A.

Banque Belge Limited
Crédit Lyonnais
London Branch
Grindlays Bank plc
Midland Bank plc
The Sanwa Bank, Limited
Swiss Bank Corporation
The Chase Manhattan Bank, N.A.
S. G. Warburg & Co. Ltd.

Société Générale
London Branch

Tender Panel Members

Bankers Trust International Limited
Baring Brothers & Co., Limited
Commerzbank Aktiengesellschaft
London Branch
Goldman Sachs International Corp.
Kleinwort, Benson Limited
Midland Bank plc
Morgan Guaranty Ltd
National Westminster Bank PLC
The Sanwa Bank Merchant Banking Group
Swiss Bank Corporation International
Limited

Banque Belge Limited
Chase Manhattan Capital Markets Group
Crédit Lyonnais
London Branch
Grindlay Brants Limited
Lloyds Merchant Bank Limited
Mitsui Finance International Limited
Morgan Stanley International
The Royal Bank of Scotland plc
Société Générale
London Branch
Toronto Dominion International
Limited

Barclays Bank PLC
Citicorp Investment Bank Limited
Credit Suisse First Boston Limited
Irving Trust International Limited
Merrill Lynch Capital Markets
Morgan Grenfell & Co. Limited
National Girobank
Salomon Brothers International Limited
Sumitomo Bank Merchant Banking Group
S. G. Warburg & Co. Ltd.

Facility Agent

Citicorp Investment Bank Limited

Tender Panel Agents

S. G. Warburg & Co. Ltd.

Citicorp Investment Bank Limited

September, 1985

INTL. COMPANIES & FINANCE

Kieran Cooke on the transformation of Indonesia's state airline
Garuda changes its image as it
tries to climb out of the red

ANYONE TRAVELLING to the Far East and Australia will have noticed the difference. Garuda, the Indonesian state airline which has become the butt of many weary travellers' tales for its rather basic service and old-fashioned image, is changing. A worldwide advertising campaign is proclaiming the benefits of a new executive class. There are pictures showing the many beauties of Indonesia. Soon Garuda's orange and white colours will give way to a startling blue as part of the airline's apparently complete transformation.

The change of image is just one response to the tough times Garuda is suffering, caused mainly by a downturn in passenger traffic. Butressed by high air fares on domestic routes — which together make up a considerable portion of Garuda's revenue — Garuda expanded rapidly during the economic boom in Indonesia. During the 1970s passenger traffic expanded by more than 20 per cent in most years.

In anticipation of continued growth, more than US\$1bn was spent on new planes at the beginning of the 1980s. But the general economic downturn, falling prices for the country's vital oil exports, and a devaluation of the Indonesian currency, the rupiah, have all taken their toll.

Many of Garuda's planes have

been flying half empty as passenger traffic has remained fairly static over the past five years. On international routes Garuda's passenger load factor so far this year is 50 per cent. On domestic routes it is only 42 per cent and almost for the first time since it came into existence in the late 1940s, Indonesia's state airline has been forced to go out and look for people to fill its planes. There is a sense of urgency about the present campaign as revenues continue to slide: Garuda's total debts now stand at more than US\$1.1bn and there is also a looming need for more big expenditures as a sizeable portion of the airline's fleet nears the end of its working life.

West Coast route

To deal with these problems, Garuda is not only trying to win more passengers but is also seeking ways to reduce the size of its fleet without reducing its international or domestic routes. At present it has six Boeing 747s, nine Airbus A-300s, six DC-10s and 20 DC-9s. It also has 34 Fokker F-28 1000s and 4000s, used solely on domestic routes. Mr R. A. Lumenta, who was appointed president of Garuda late last year and the man behind the new look at the airline, says that he is considering either selling or leasing at least four

of the Airbus, which are proving a considerable financial headache.

The Airbus were bought for a total of US\$438m in 1982 in a complex deal involving Garuda issuing promissory notes to a number of banks for both Eurodollar loans and export credits. There were no government guarantees on the deal but Garuda insists that its cash flow is still healthy and both it and the banks involved seem to feel that the debt is under control. It does, however, represent a heavy burden, especially now that overall debts are peaking and revenues are showing no signs of increasing. In 1983 Garuda made a loss of US\$76m and the figure is expected to be much the same or slightly higher when the 1984 report is finally published.

The Airbus are also proving difficult to sell or lease. They were originally purchased for use on the longer routes within Indonesia and have none of the usual trimmings such as hot food facilities, reading lights, and music consoles. The Airbus also have a special Garuda-designed two, rather than three, flight crew cockpit. Mr Lumenta says it would cost US\$1.7m to upgrade each of the Airbus. He says Garuda might be forced to do this as no potential buyer at present seems interested in the more simple,

spartan plane. Mr Lumenta is making a number of other moves to try to improve the airline's overall performance. Frequencies on popular routes will be increased and from 1987 Garuda plans to operate 14 flights to Europe each week compared with the present eight.

Reducing the fleet

This, says Mr Lumenta, will not only generate more revenue but will also lessen the time that the Garuda fleet is left idle on the ground; "at present we have far too many planes waiting on the tarmac and not enough in the air." Great hopes are also put on a recently inaugurated route to the West Coast of the United States which Garuda shares with Continental Airlines using a DC-10 painted with both airline's colours and flying once a week Bali-Guam-Los Angeles.

Flights will later be increased, and Mr Lumenta hopes for more agreements and increased business out of what he describes as Garuda's "marriage" with Continental. But for the moment the Garuda are also put on a tight budget. "I will only be able to breathe again next year, when we are over the worst of our debt payments and when, hopefully, the problem with the Airbus will be sorted out."

Shipments of copper restart at Sipalay

BY LEO GONZAGA IN MANILA

EXPORT SHIPMENTS have resumed at a copper property in Sipalay, on Negros island in the central Philippines, following an injection of funds by Marubeni, the Japanese trading house.

Marubeni Mining, which took over the deposit from the now defunct Marinduque Mining and Industrial Corporation in July, was given a US\$15m advance by Marubeni to finance the reopening.

The amount will be repayable in the form of copper concentrates, for which 90 per cent of

production has been committed to Marubeni for the next five years. The remainder has been allocated to Philippine Associated Smelting and Refining (Pasar), based in Isabel, on Leyte island in the east central Philippines.

Output at Sipalay restarted at an initial capacity of 20,000 tonnes of milled ore, yielding between 275 and 300 tonnes of concentrate a day.

The first shipment consisted of 5,500 tonnes of concentrate with recoverable gold, silver and molybdenum byproducts.

This went to Marubeni.

Meanwhile, Pasar has been cleared on safety grounds in its ability to process the mercury-laden copper concentrates produced by Benguet in San Marcelino, north-west of Manila. This followed 38-day tests conducted by the National Pollution Control Commission (NPCC) and Lurgi of West Germany.

Based on the evaluation, Pasar can process 65.4 dry tonnes of Benguet concentrates daily. This is achieved by blending them with concen-

trates of other producers. The resulting mixture contains only 1.5 parts per million of mercury.

On an annual basis, this rate of output would represent about 20 per cent of Benguet's total production. All its output has been committed to Japanese buyers, principally Mitsubishi Metals, the company says.

Lurgi was chosen by Pasar and Benguet as an independent party for the tests alongside the NPCC. These were jointly conducted, but separately evaluated.

All of these Notes having been sold, this announcement appears as a matter of record only.



Trafalgar House

PUBLIC LIMITED COMPANY

(Incorporated with limited liability in England)

U.S. \$100,000,000

10¾ per cent. Notes due 1992

Issue Price: 100 per cent.

Barclays Merchant Bank Limited

Kleinwort, Benson Limited

BankAmerica Capital Markets Group

Banque Bruxelles Lambert S.A.

Daiwa Europe Limited

Dresdner Bank Aktiengesellschaft

Goldman Sachs International Corp.

Merrill Lynch Capital Markets

The Nikko Securities Co., (Europe) Ltd.

Nomura International Limited

Orion Royal Bank Limited

Shearson Lehman Brothers International

Union Bank of Switzerland (Securities) Limited

S.G. Warburg & Co. Ltd.

Julius Baer International Limited

Bank Leu International Ltd.

Cazenove & Co.

Hongkong Bank Limited

Korea Merchant Banking Corporation

L. Messel & Co.

Standard Chartered Merchant Bank

Sumitomo Finance International

Swiss Volksbank

Toyo Trust International Limited

Wedd Durlacher International

14th August, 1985

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

17th September, 1985

Phibro-Salomon Inc

8% Dual Currency

Japanese Yen/U.S. Dollar Notes due 1995

Issue Price: 100¼ per cent., Plus Accrued Interest

Issue Amount:	¥20,000,000,000
Redemption Amount:	U.S. \$96,160,000

Salomon Brothers International Limited

Nomura International Limited

Algemene Bank Nederland N.V.

Banque Nationale de Paris

Crédit Lyonnais

Credit Suisse First Boston Limited

Deutsche Bank Aktiengesellschaft

Mitsubishi Trust & Banking Corporation (Europe) S.A.

Mitsui Trust Bank (Europe) S.A.

Nippon Credit International (HK) Ltd.

Swiss Bank Corporation International Limited

The Taiyo Kobe Bank (Luxembourg) S.A.

Takagin International Bank (Europe) S.A.

Tokai International Limited

S. G. Warburg & Co. Ltd.

Yasuda Trust Europe Limited

APV confident as profits increase by 17% midway

APV Holdings, manufacturer of industrial processing and heat-transfer equipment, raised pre-tax profits by 17 per cent to £6.5m in the six months to June 30 1985, compared with £5.57m last time on turnover up 9 per cent to £205m, against £187.7m.

Earnings a share basic were 8.9p (7.5p) and fully-diluted 8.7p (7.3p). The interim dividend is maintained at 4p.

Sir Ronald McIntosh, chairman, says that, unlike last year, second-half profits are likely to be higher than those for the first. He says most of the growth in profit came from overseas operations. The North American companies did well and there were good results from Europe. There was also an improvement in the Asia Pacific sector.

The performance of the UK companies was mixed but as a whole they showed an improvement over the first half of last year.

The South African operations made a loss but, he says, correct-

ive action is in hand. The rationalisation programme is progressing well, he says. Action to reduce overheads and tighten financial controls is continuing throughout the group and further measures are being taken to strengthen operating management in a number of important subsidiaries.

Group trading profits were £6.5m (£5.78m) and the share of the loss of related companies was £12,000 (£17,000).

Interest payable less receivable amounted to a debit of £1.6m (£1.2m debit). Tax took £3.6m, against £3.23m, but the charge is an estimate because of the uncertainties of computing taxation for a period of less than a year. The 1984 half-year figure has been restated.

Profit on ordinary activities after tax was £2.8m (£2.36m). Profit attributable to minority shareholders was £38,000 (£35,000). Extraordinary items after tax took nothing against £58,000, leaving attributable profits of £2.86m (£1.68m).

comment

Reorganisation, restructuring, rationalisation, redundancies—these are the words that are beginning to appear in the headlines of APV. The firm had a new management in slapping the subsidiaries into shape one by one, and the results are beginning to come through. No one expected a turnaround overnight and there are still some weak spots: the South African subsidiary is struggling against adverse market conditions, and in the UK it is probably going to take a few months for the new team at Crawley to bring APV International into line. Prospects appear to be for steady growth: order books are not growing sensationally, but they are growing, and the group's main concern is to extract decent profit margins. For this year some £14m looks likely, and with the shares closing unchanged at 275p yesterday, the prospective P/E ratio is looking undemanding at 12 on a 50 per cent tax charge.

Polypipe meets profit forecast

Polypipe, which came to the USM in June, has achieved a 27 per cent improvement in pre-tax profits in the year ending June 30 1985.

In its offer for sale document, the Doncaster-based company, which makes and supplies plastic plumbing systems, forecast profits of not less than £1.5m. The full year pre-tax result has emerged at £1.35m, compared with £1.06m previously.

Sales improved by over 40 per cent to £11.7m (£8.41m), and Mr Kevin McDonald, the chairman, says that the company will benefit considerably from the build-up of sales in underground drainage systems products. The company will also benefit from its increased penetration of the important south eastern market and the company's entry into Northern Ireland.

BRITANNIA ARROW HOLDINGS and Okasan Securities in Tokyo have formed a joint venture company to manage international funds. The new company will be known as Britannia Okasan International Investment Management.

London Park resells the Plaza and makes £1.5m

BY CHARLES BATCHELOR

London Park Hotels has sold the Plaza Hotel, a 267-room property in central London, for £8.5m cash just five months after buying it for £7m.

Mr Jivraj, chief executive of London Park, said: "We are looking at another project and did not want to over-gear the company. This sale gives us a nice profit over five months and serves the purpose of funding an acquisition we are looking at very closely."

"We are negotiating for a property in central London which will be a four-star hotel and become the flagship of the company."

The Plaza, which London Park originally intended to upgrade from a two- to a four-star hotel by means of a £1m refit, has been sold to Linden Corporation, a Panamanian company backed by Middle East interests. Linden is not believed to have any other London hotels.

London Park, formerly the Rowton Hotels group, will receive a payment of £425,000 from Linden on exchange of con-

tracts and a further cash payment of £2.07m on completion, which is due to take place by November 29.

London Park bought the Plaza from the private interests of Mr Nurdin Jivraj, London Park's deputy chairman. Rushlake Hotels, a private company controlled by the Jivraj family, owns 75 per cent of London Park.

The purchase was announced in December but only took effect in April. The Plaza is in Princes Square, W2.

London Park last week announced a rise in pre-tax profits from £228,000 to £282,000 in the six months ended June 1985.

FOLKES GROUP, property, services, engineering and construction products group, has increased pre-tax profits from £600,000 to £700,000 in the first half of 1985. Turnover fell to £31.8m (£32.8m). On increased earnings of 1.48p (1.13p) per 5p share the interim dividend is maintained at 0.35p.

Mucklow on target and growth continues

A and J Mucklow Group, industrial property investor and developer, has produced pre-tax profits up from £4.52m to £5.12m for the year to June 30 1985, as forecast at the time of the March interim statement. Present indications are that the current year will show a further "modest improvement."

The gross dividend is increased from 6.75p to 7.21p per share, reflecting the group's strong financial position and the directors' confidence in the future. Earnings per share are a shade better at 6.54p (6.52p).

The board has decided to widen the scope of its property development. Whereas activity in the past has been confined mainly to industrial property in the West Midlands for retention as investment, it has now decided to include other types of property and other locations.

It is intended that some of these developments will be retained as investments and some sold. In this context, a warehouse development of 32,000 sq ft at Edgbaston, pre-let to W. H. Smith Do-It-All, and a small speculative development of 10 self-contained offices at West Bromwich, will be commenced during the coming year.

Rental income in 1984-85 totalled £6.4m (£5.92m) and pre-tax profits were £133,000 (£83,000) and investment income amounted to £333,000.

Former Comfort chief buys Arden & Cobden

MR HENRY EDWARDS, former chairman of Comfort Hotels, has announced the agreed acquisition of Arden & Cobden, the last listed temperance hotel group, for about £2.8m.

Mr Edwards and family interests made an offer of 625p cash for each Arden & Cobden share. But when Arden's share price, which was as low as 350p earlier in the year, rose 300p yesterday to close at 715p there was some market speculation about another bidder.

Irrecoverable undertakings to accept Mr Edwards' offer have, however, been made by owners of 88.4 per cent of the shares (388,829), including undertakings from all the Arden directors in respect of 21.98 per cent.

Mr Edwards' return to control of a listed hotel group follows nine months after the agreed

£71m bid by the Ladbroke Group for Comfort Hotels.

He began his career at Grand Metropolitan and then built up the Centre Hotels chain, now part of Bass. In 1977 he took over the Adda International group and changed the name to Comfort.

The Birmingham-based Arden & Cobden has recently announced it is to seek a drinks licence. After some poor results in recent years the company made a pre-tax profit of £123,476 to the year ended December 29 1984, on a turnover of 1.45m. In 1983 the profit was only £27,880 and turnover was £1.22m.

Arden's listing on the Stock Exchange is almost certain to be maintained. Agreement has also been reached for an offer of 25p per share for the 65,000 unlisted 4.5p per cent preference shares.

Promotions House midway rise

Despite lower turnover of £5.58m, against £6.49m, at the Promotions House, pre-tax profits of this USM-quoted sales promotions concern, expanded from £158,700 to £181,400 for the first six months of 1985.

The newly acquired Bonus bond Holdings business is proving to be a valuable addition to the group's widening range of promotional services and

directors hope to be able to recommend an increased dividend for the year of 0.7p.

The directors point out that although overall turnover was lower, the company has been encouraged by the increased level of sales of promotions, from which the company derives its profit, during the first six months.

After tax of £95,000 (£78,300) earnings were 0.54p (0.24p).

COMPANY NEWS IN BRIEF

THE BRITISH CAR AUCTION group has acquired a 26.65 per cent stake in Five Oaks Investments, the property company. But BCA said that, subject to the usual conditions, in circumstances it would "not make a full bid for Five Oaks for a period of at least six months". It acquired £300,000 of the company's shares (12.58 per cent of the equity) at 40p a share from Mr M. Morrison, chairman of Five Oaks. A further 658,000 shares (10.08 per cent) were required at 41p a share from investment clients of Anderson and Co. Clients of Anderson, acting in concert with BCA, continue to hold a further 2.73 per cent of the company's shares.

ENTERPRISE OIL's £121m bid for Saxon Oil, which on Monday received the approval of Enterprise shareholders, is not to be referred to the Monopolies and Mergers Commission. The bid, announced yesterday, was for the purchase of Saxon further in the market at the offer price of 540p—it now holds 21.28 per cent.

GEORGE H. SCHOLLES, makers of Wylex electrical products, increased pre-tax profits to £4.94m (£4.72m) in the year to June 30 on turnover up to £26.1m (£24.8m). Earnings a share were 45.1p (40.8p). Final dividend is 20p, making a total of 20p (18p).

STOCKLAKE HOLDINGS, export and import company, proposed a 2-for-1 share split (same) making a total of 12p (same) for the year to March 31 last. Turnover was £24.17m (£24.54m) and pre-tax profits of £3.22m (£3.55m). Tax totalled £1.83m (£1.72m) leaving earnings per share of 47.22p (43.36p).

YEARNING BONDS: The interest rate for this week's issue is 11½ per cent, down ¼ of a percentage point from last week, and compares with 11½ per cent a year ago. The bonds are issued at par and are redeemable on September 24, 1986. A full list of issues will be published in tomorrow's edition.

INTEREUROPE TECHNOLOGY, producer of technical documentation for industry and various government departments, reports record pre-tax profits up 20.4 per cent to £1.62m in the year to June 30 1985. Turnover increased by 18.7 per cent to £2.96m. The final dividend is raised from 3.25p net to 3.7p for a total of 5.4p compared with 4.85p. Statutory dividend is 2.5p (2.05p). The interim dividend is increased to 3p (2.5p). The board says the group enters the current year in a strong position.

JSD COMPUTER GROUP International, a computer staff agency, raised pre-tax profits to £202,000 in the first six months of 1985 compared with £232,000 last time. Tax charges were £125,000 (£50,000), giving attributable profits of £177,000 (£282,000). Earnings a 5p share were 3.2p (1.5p) and the interim dividend is raised to 1p (0.2p). Overseas activities continued to expand.

particularly in the U.S. where revenue exceeded that of the U.K. U.S. revenue was 47 per cent (39 per cent) of the total turnover and European activities outside the U.K. accounted for 22 per cent (18 per cent).

In the UK, the company maintained its market position, say the directors. Its fourth UK office, opened in Aberdeen in February 1985, is trading satisfactorily.

TRAFFORD PARK ESTATES recommends a final dividend of 7.75p per share (6.5p) making a total for the year to June 30 of 11.5p per share (10p). Pre-tax profits were £2.52m (£2.47m). After tax of £857,253 (£979,429) earnings per share are 15.16p (13.17p).

WYKO GROUP'S Mr Roger Edwards, the chairman, told the annual meeting that order books in all operations continued at record levels and the group's markets continued to expand, and mechanical power transmission components in particular offered considerable scope for

organic growth. "We are confident that our sales and marketing expertise allied to our in-depth technical back-up will lead to significant growth," he said.

WINTRUST received acceptance in respect of its rights issue of convertible cumulative preference £1 shares totalling 1,969,978 shares (87.37 per cent). The balance of 278,646 shares have been sold in the market.

GLEN ABBEY, the Dublin-based clothing manufacturer, incurred a pre-tax loss for the first half of 1985 of £1103,000 (£33,000) against a loss last time of £135,000. Turnover was up from £2.86m to £3.23m. The loss per share came out at 2.9p (2.6p).

BRITISH VENDING Industries, one-for-four rights issue has been taken up in respect of 1,969,978 shares (87.37 per cent). The balance has been sold, fully paid, in the market for the benefit of shareholders who have not taken up their rights at a premium of 5p gross.

This is neither an offer to exchange or sell nor a solicitation of an offer to exchange or sell. The Offer is made by the Prospectus dated September 16, 1985 and the related Letter of Transmittal. The Offer is not being made in, nor will it be accepted from, holders of these securities in any jurisdiction in which making an offer or acceptance thereof would not be in compliance with the securities laws of such jurisdiction.

REPSTEEL OVERSEAS FINANCE, N.V. OFFER TO EXCHANGE

11½% Convertible Secured Bearer Notes Due 1996 or 11½% Convertible Secured Registered Notes Due 1995 and 9 Shares of LTV Common Stock (\$0.50 par value) for any and all of its 11½% Notes Due 1988 (Guaranteed by LTV Steel Company, Inc.)

RepSteel Overseas Finance, N.V., a Netherlands Antilles corporation ("RepSteel") and a wholly-owned subsidiary of the LTV Corporation ("LTV") is offering to exchange \$1,000 principal amount of 11½% Convertible Secured Registered Notes due May 1, 1993 ("Registered Notes") and 9 shares of LTV Common Stock, \$0.50 par value, of LTV ("LTV Common Stock") or \$1,000 principal amount of 11½% Convertible Secured Bearer Notes due July 1, 1988 ("New Bearer Notes") and 9 shares of LTV Common Stock in exchange for each \$1,000 principal amount of the 11½% Notes due July 1, 1988 and guaranteed by LTV Steel Company, Inc. ("Old Notes"). All accrued and unpaid interest from July 1, 1985 on tendered and accepted Old Notes has been taken into account in the Amount and terms of the Offer.

The New Bearer Notes may not be offered or sold, directly or indirectly, in the United States of America, its territories or possessions (the "United States") or to a United States Person, as part of the distribution of the New Bearer Notes. The New Registered Notes may be offered or sold to United States Persons or non-United States Persons. The New Bearer Notes and New Registered Notes (collectively called the "New Notes") will be guaranteed by LTV on a senior basis.

The New Notes are convertible into LTV Common Stock, initially at a conversion price of \$10.00 per share, subject to adjustment in certain events. Interest on the New Notes begins to accrue July 15, 1985 and is paid semi-annually beginning January 15, 1986 and may be paid, at the option of RepSteel, in cash, in shares of LTV Common Stock, or a combination of cash and shares of LTV Common Stock. Any shares of LTV Common Stock issued in payment of interest will be valued at between 80 and 75 per cent of the average Sale Price of LTV Common Stock over a 90-day period.

The Offer will expire 5:00 P.M., New York City time, on October 3, 1985, unless extended by RepSteel.

Old Notes tendered pursuant to the Offer, unless previously accepted for exchange, may be withdrawn any time after 5:00 P.M., New York City time, December 12, 1985.

The terms and conditions of the Offer are set forth in the Prospectus dated September 16, 1985. Request for information or copies of the Offer Prospectus should be directed to:

Exchange Agent: Banque Générale du Luxembourg S.A. 14 Rue d'Arlon Luxembourg Telephone: 4798-452

Information Agent: D. F. King 80 Broad Street New York, New York 10004 212/259-8550 (collect)

The LTV Corporation: E. J. O'Meara Director, Investor Relations LTV Center 2001 Ross Avenue Dallas, Texas 75208-5003 214/758-7748 (collect)

NOTICE TO BONDHOLDERS

Alcan Australia Limited

8½% Bonds due 1989

Notice is hereby given that, pursuant to paragraph 4 (a) of the terms and conditions of the bonds, US\$750,000 principal amount thereof have been purchased by Swiss Bank Corporation, Zurich, as purchase agent during the year September 1st 1984, to August 31st, 1985.

US\$19,750,000 nominal bonds will remain outstanding after August 31st, 1985.

Alcan Australia Limited
by Swiss Bank Corporation (Luxembourg) Limited, Luxembourg
as Principal Paying Agent

September, 1985

COATS PATONS PLC

Interim Results

Earnings of £22.6m (1984: £24.6m) are down due to difficult trading conditions in U.S.A. and Australia.

Cash flow is sound after providing for a continuing high level of investment. Interim dividend will be 1.90p which is an increase of 15% over last year.

Unaudited results for January/June 1985 and the comparative figures for 1984 are as follows:—

	£ million	Jan./June Jan./June	Year
	1985	1984	1984
TURNOVER	466.7	447.7	1,078.0
Trading profit before charging depreciation	52.9	57.3	143.0
Depreciation	10.5	10.2	21.2
TRADING PROFIT	42.4	47.1	121.8
Investment and other income	3.6	3.2	7.6
Interest payable (net)	(7.8)	(7.1)	(18.6)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	38.2	43.2	109.8
Taxation	12.7	15.1	36.3
Profit on ordinary activities after taxation	25.5	28.1	73.5
Interest of minority shareholders	2.9	3.5	9.3
EARNINGS FOR ORDINARY SHAREHOLDERS	22.6	24.6	64.7
Dividends	5.2	4.6	15.2
PROFIT RETAINED	17.4	20.0	49.5
Earnings per ordinary share of 25p	8.2p	8.9p	23.4p
Rates of exchange used:			
U.S. Dollars per £	1.25	1.35	1.16
Australian Dollars per £	2.00	1.55	1.40

The results shown above for the year 1984 are an abridged version of the Group's full accounts which have been filed with the Registrar of Companies and on which the auditors gave an unqualified report.

Turnover increased by 4% over the first half of 1984. At constant exchange rates the increase would have been 8%. Volume was maintained or exceeded in all areas excepting the United States, Australia and Brazil where weaker-than-expected trading conditions prevailed. Jaeger, Country Casuals and the West Riding Group performed particularly well.

Trading profit at £42.4m fell by 9% against the comparable figures for 1984. Profit before taxation of £38.2m compares with £43.2m in the first half of 1984, reflecting a fall of 12%. Exchange translation accounts for 6 percentage points of the reduction leaving 6% due to the deterioration in trading conditions. U.S.A. and Australia were particularly difficult areas and both markets fell well below last year's performance and also our earlier expectations. Together with Brazil, which showed a slight decrease, these markets more than account for the total shortfall in profits. Remaining operations exceeded last year's level of profitability on a Sterling basis.

Taxation at 33% of profit before taxation is the rate we expect for the year (1984: 32%).

Minority shareholders' interest at £2.9m was down due to results in Australia.

Resultant earnings per share were 8.2p as against 8.9p in January/June 1984. The outcome for the year will depend greatly on the rates of exchange at the year end and these are especially difficult to forecast against the present background of unsettled world economic conditions. Generally speaking our business, excepting Australia and U.S.A., have performed well and the outlook is encouraging. Australia should show some improvement but there is little sign of a pick-up in the United States where textile imports are still increasing.

A strong cash flow performance for the year is expected resulting from close control of working capital and disposal of surplus fixed assets. This should mean an improvement in year-end gearing which was 31% at 31st December 1984. In view of this, an interim dividend of 1.90p per share (1984: 1.65p) will be paid to ordinary shareholders on the register on 29th November 1985.

This announcement of Coats Patons PLC results for the half-year ended 30th June 1985 will be published in a number of national newspapers on 18th September but will not otherwise be communicated to shareholders.



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UK COMPANY NEWS

Pittard up 28% and raising £2m

BY LUCY KELLAWAY

Pittard Group, leather manufacturer, is raising capital for the first time since coming to the market in 1982, via a placing of cumulative preference shares raising £2.1m after expenses.

The company also announced yesterday a 28 per cent increase in profits before tax to £1.3m in the six months to June 1985 on sales up by 24 per cent to £20.5m. The directors are recommending a 10 per cent rise in the interim dividend to 1.6p.

The placing proceeds, which will initially be used to reduce short-term borrowings, will subsequently provide a basis for future expansion. A steady increase in turnover over the last few years has pushed the group's plants to almost full capacity, and the funds will be employed both to increase and improve capacity and to provide additional working capital.

The improvement in profit in the first half has come about from a 5 per cent rise in volume,

and from an increase in margins, particularly in the Bovine division. However, the chairman, Mr. D. C. Macdonald, described margins as "some way short of what we believe is a realistic target" and said that "we are hoping to be able to announce further progress at the conclusion of the current year."

He said that the company was expanding the range of products to include a greater "value added" element and to counter cyclical influences in the market.

The weakness of the pound against the dollar for much of the first half has resulted in a 30 per cent increase in exports to £9m, where they account for 44 per cent of sales. However, the company warns that if the present upward trend of sterling continues, it will have an adverse effect upon its exports.

Pre-tax profits were arrived at after charging depreciation of £160,000 (£157,000) and interest of £281,000 (£248,000). Profits

after tax were £951,000 (£814,000), to make earnings per share of 12.4p (10.8p).

The placing will be of 2.2m £1 cumulative preference shares with a coupon of 94 per cent, which will rank pari passu with the existing 94 per cent preference shares. The placing price is set at 101p, compared to the latest market price of the existing shares of 102p.

In conjunction with the placing, there will be a two-for-three capitalisation issue of ordinary shares to provide the necessary capital cover for the new preference shares. Brokers are Cazenove & Co.

● comment

If the unusual spectacle of Pittard coming to the market for new equity raises that company's profile a little, it can only be a good thing. For Pittard, as well as the steadily falling stocks on the market, has not received the attention it

deserves given its powerful recent growth record, which has seen sales double in about two years. Selling leather to the shoe and glove industries is a cyclical business to Pittard has made strides to minimise the effect of any downturn by broadening its product base. The exchange rate is a greater worry than the dollar weakens sharply of export and home markets, and find its margins, which otherwise are on the increase, coming under considerable pressure. However, on all but the most gloomy view of exchange rates Pittard stands to produce another good increase in profits this year, and its shares at 111p yielding 7.2 per cent look undervalued. Even if the company decides against plans to build a new leather tannery, the new money will have the welcome effect of reducing gearing from about 50 per cent to nearer 20 per cent.

Income up by 12% at Brixton Estate

Brixton Estate, property development and investment company, saw income rise by 12 per cent from £8.19m to £9.17m for the first half of 1985. Net rental earnings rose to £3.13m against £3.18m, with other income rising by £23,000 to £36,000.

Pre-tax profits came out at



Mr. Harry Axton, chairman of Brixton Estate

£4.63m, up by 4.5 per cent from £4.43m after interest on developed properties took £1.62m (£1.63m) and administration expenses of £221,000, against £257,000. There was no dealing profit this year, compared to £226,000 last time.

The directors have declared an interim payment of 2.3p net, compared with last year's 2.1p.

Mr. Harry Axton, chairman, says that satisfactory progress has been made in all areas with the exception of Houston, U.S., where the property market continues to be depressed and no further progress has been made on the company's developments. Elsewhere the level of lettings during the period was encouraging.

He adds that the company is continuing its policy of acquiring suitable properties for development both in the UK and abroad and a number of schemes are being considered.

Among its new developments in the UK, a 6.4 acre site has been acquired at Feltham near Heathrow Airport

Armstrong surges by 80% after rationalisation

A CONSIDERABLE improvement in second half profits, from £1.40m to £3.02m, has boosted the pre-tax result at Armstrong Equipment by 80 per cent for the year to end-June 1985, from £2.91m to £4.58m.

The directors of this engineering holding company, based in North Humberside, attribute the improvement to the maturing of the efficiency improvement plans for the group's UK companies. They say that all three divisions, automotive, light engineering and fastenings, within the UK are making rapid gains, and it is the UK performance, added to the still growing companies in Spain, which will be the prime mover in raising the group's performance to much higher levels in 1985-86.

All UK divisions are now well placed both to make continued profit gains and to contribute to the enlargement of the group, they add.

From stated net earnings ahead from 3.27p to 7.9p per share, the final dividend is doubled to 0.8p, making a total of 1.1p (0.6p).

Turnover fell during the period, from £114.25m to £102.45m, largely due to the sale of the Australian and South African subsidiaries, but the directors anticipate that turnover in 1985-86 will climb appreciably back.

Despite lower sales, trading profits rose from £3.76m to £7.60m, from which interest charges took a lower £3.13m (£3.26m).

The picture presented by Armstrong Equipment is one in which rationalisation, rigorous cost control and an efficiency drive produced a quite dramatic profit growth in last year's final quarter which is set to continue into this year and next. The niggling question that remains is what will happen when every cost has been cut to the bone? The gloomy view is that there are a lot of borrowings attached to a somewhat unglamorous business with few long-term growth prospects or exciting niches. The only way this profits growth is going to be maintained is through acquisitions, and the only way these are going to be made is by getting the price/earnings ratio up. It £8m on a 15 per cent tax charge is in sight for this year, as one might expect from the chairman's tone, the shares, up 81p at 484p yesterday, are on an extremely meagre prospective multiple of 4. The price is unlikely to rise to a level which will satisfy Armstrong's acquisitive urge without a little more proof in the pudding.

Wallace Arnold profits dip as leisure loss rises

Barr and Wallace Arnold reports further losses in its leisure and holidays division for the first six months of 1985. There is a pre-tax loss of £382,000 (£374,000) and Mr. Malcolm Barr, the chairman, anticipates that the loss for the full year will be not dissimilar to that shown for the first six months. This is double the figure reported for the whole of 1984.

However, major management changes took place recently in Wallace Arnold Tours and the chairman believes these will ensure much brighter prospects in the long run.

Pre-tax profits for the group fell to £215,000 (£222,000) in the six months to June 30. The interim dividend is unchanged at

2p per share, and earnings per share fell to 3.5p (4.1p).

The loss is better results from motor distribution with profits up from £820,000 to £836,000.

In the full year, the chairman anticipates motor profits to be "ahead" of last year's £1.6m, and fuel distribution could be "substantially better" (£177,000 for 1984).

In addition to the downturn in leisure, a 3 per cent increase in interest rates which raised charges by around £100,000, offset some of the benefit of the cash received from the sale of the computer services division in July 1984.

Turnover of the group was slightly lower at £20.17m (£21.1m) in the opening half.

Mellerware tumbles to £10,000

Mellerware International, manufacturer of cookware and small domestic electrical appliances, blames a general downturn in consumer spending on such products for a slump in profits to £10,000 in the six months to June 30 1985 compared with £612,000 last time.

Demand for cookware increased by 20 per cent, says the company, but overall turnover was down sharply to £3.53m compared with £4.38m.

The slowing of demand was accompanied by severe pressure on prices, says the company, and thus on margins. Overheads were increased, notably in manufacturing and advertising prior to the launch of products now in the shops.

It says Top-Pot and a new range of microwave cookware drew a promising initial response from the trade and it expects the costly investment and marketing campaign for these products to bear fruit in the second-half, traditionally the better half for sales.

It says sales of new products to a widening customer base coupled with strenuous efforts to reduce overheads, leads it to believe that the second-half will be considerably more encouraging.

The interim dividend is maintained at 1p. Tax charges amounted to £4,000 (£273,000), leaving attributable profits of £6,000 (£280,000). Earnings per share were 0.001p against 6.2p.

Evans of Leeds raising £12m

By Richard Tomkins

Evans of Leeds, the property investment and development group, is raising £12m through a placing of £12m of new ordinary shares to fund its property portfolio.

Evans is in the process of changing the emphasis of its portfolio from industrial to commercial properties. In its year to last March it spent £3.4m on the purchase of nine shops and office investment properties.

Commercial properties are lower yielding than industrial

properties and Evans therefore needs to continue expanding its commercial portfolio to sustain income growth.

The stock has a gross redemption yield of 11.274 per cent, a margin of 0.75 per cent above the yield on 131 per cent Treasury Stock 2004-08. It has a coupon of 11 per cent and the issue price is £97.617, of which £25 is payable on subscription and the balance on January 31. Interest on the stock will be payable in half-yearly instalments on April 30 and October 31

with the first payment being made on April 30 1986.

Hambros Bank is the merchant banker to the issue and Rowe & Pitman are stockbrokers.

The last similar placing by a property company was made by Brixton Estate which raised £15m last month through an issue of first mortgage debenture stock 2025 with redemption yield of 11.153 per cent. Brixton, however, used the proceeds to repay the bulk of short-term, variable date debt.

Stock Conversion hits out at Stockley

BY FRANK KANE

MR. HARRY NORRIS, the chairman of Stock Conversion, the property group, has attacked the "obstructive attitude" of the company's 28.54 per cent shareholder, the fast-growing Stockley, which is backed by Mr. Jacob Rothschild, last week signalled its intention to use its blocking vote to oppose the extraordinary motions, which require a 75 per cent majority.

Expressing his "extreme disappointment," Mr. Norris said that the board found it "profoundly disturbing that Stockley is seeking to exercise an unwarranted degree of control" over the company's affairs. He continued: "Their present attitude does, in our view, crystallise a conflict of interest between

authorised capital from £13.25m to £32m, and other proposals relating to a two-for-one scrip and relaxation of the requisite authority for share issues, were not put to the meeting. Stockley, which is backed by Mr. Jacob Rothschild, last week signalled its intention to use its blocking vote to oppose the extraordinary motions, which require a 75 per cent majority.

Expressing his "extreme disappointment," Mr. Norris said that the board found it "profoundly disturbing that Stockley is seeking to exercise an unwarranted degree of control" over the company's affairs. He continued: "Their present attitude does, in our view, crystallise a conflict of interest between

Stockley and our other shareholders.

"Your board does not believe it is in the best interest of Stock Conversion, and shareholders generally, to be expected to seek specific advance approval from a competitor on sensitive commercial issues," added Mr. Norris.

Mr. Norris did not altogether give up the idea of the capital reorganisation, but said that the board intended to resubmit the proposals "as soon as we are able."

He said later that he still had no reply from Stockley clarifying its intentions regarding its large stake, nor had there been any request for representation on the Stock Conversion board.

Basis established for improved profitability

Highlights from the joint statement for the year to 31 March 1985 by the chairman, Mr. Jocelyn Hambro MC, and the chief executive, Mr. Neil Clarke, to the shareholders of Charter Consolidated P.L.C.:

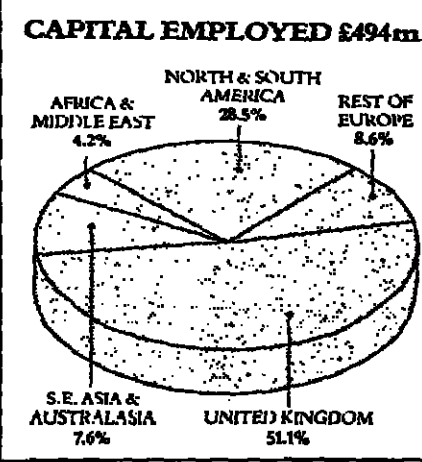
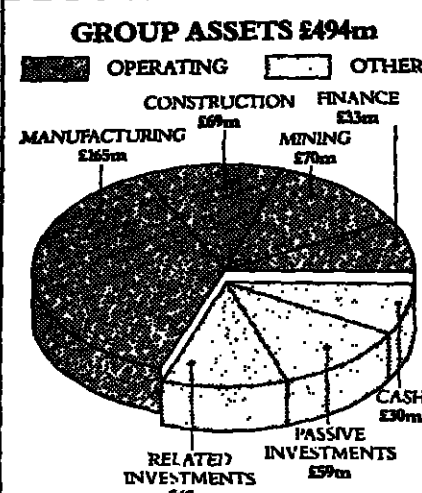
□ Pre-tax profits were £16.5 million. The final dividend is 7.25p per share, to give an unchanged total dividend of 11p.

□ Much has been done during the year to improve the profitability of the group. An improvement in operating profits is apparent and we look for this to continue.

□ Steps have been taken to realize assets and rationalize operations. The effect of selling or closing underperforming businesses will be reflected in the future profitability of the operating companies.

□ Although the NCB/NUM dispute had an adverse effect on operations, and on the mining equipment companies in particular, orders and deliveries are now reviving.

□ The financial and management support given to Johnson Matthey after the crisis at Johnson Matthey Bankers has



been justified, with encouraging progress in the recovery of this major investment.

□ The business of Cape Industries is now concentrated in the production of fire protection materials and in the supply of insulation services. It is a market leader in both fields.

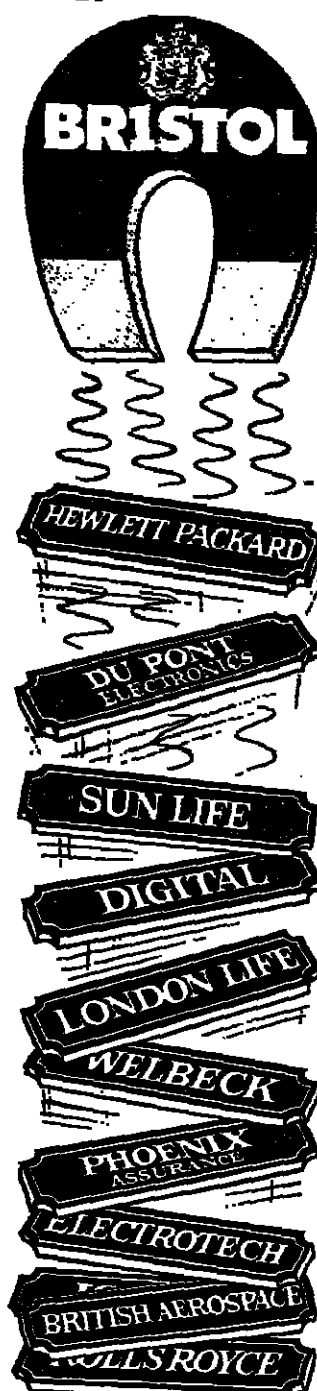
□ Action taken overall, including the sale of assets, has maintained Charter's strong central financial position, financed additional investments, and reduced debt.

FURTHER POINT FROM THE CHIEF EXECUTIVE'S STATEMENT AT THE ANNUAL GENERAL MEETING

□ The estimated net asset value of Charter on 10 September was £358 million, or 340p per share.

For a copy of the 1985 Annual Report, please contact: The Company Secretary, Charter Consolidated P.L.C., 40 Holborn Viaduct, London EC1P 1AJ.

CHARTER



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Is it Bristol's rapidly expanding high technology base? Or our highly skilled workforce? Or the pulling power of a major financial centre with excellent road, rail and air links? Or the allure of our beautiful environment? Of course, it's a combination of factors. How else could Bristol attract all these top companies?

For further forceful arguments, contact Mike West, Bristol's Director of Economic Development.

BRISTOL
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Bristol Economic Development Office,
Brunel House, 5, George's Road,
Bristol BS1 5UY
Tel (0272) 291620 Telex 449748RDEODG

August 1985 New Issue. These securities having been sold, this announcement appears as a matter of record only.



The Hongkong and Shanghai Banking Corporation

(Incorporated in Hong Kong with limited liability)

U.S.\$400,000,000

Primary Capital Undated Floating Rate Notes

Hongkong Bank Limited
(formerly Wadley London Limited)

Lloyds Merchant Bank Limited

Bank of China
Country Bank Limited
Fuji International Finance Limited
IBJ International Limited
Merrill Lynch Capital Markets
Morgan Guaranty Ltd
Nomura International Limited
Salomon Brothers International Limited
Sumitomo Finance International
Swiss Bank Corporation International Limited
Yamaichi International (Europe) Limited

Bankers Trust International Limited
Dresdner Bank Aktiengesellschaft
Goldman Sachs International Corp.
LTCB International Limited
Mitsubishi Finance International Limited
Nippon Credit International (HK) Ltd.
Orion Royal Bank Limited
Shearson Lehman Brothers International
Sumitomo Trust International Limited
Union Bank of Switzerland (Securities) Limited

Algemene Bank Nederland N.V.
Bank of Montreal
Bank of Tokyo International Limited
Banque Nationale de Paris
Chemical Bank International Group
Commerzbank Aktiengesellschaft
Dai-ichi Kangyo International Limited
First Interstate Capital Markets Limited
Indosuez Asia (Singapore) Limited
Kidder, Peabody International Limited
Manufacturers Hanover Limited
Morgan Stanley International
Sanwa International Limited
Tokai International Limited

BankAmerica Capital Markets Group
Bank of Scotland
Banque Bruxelles Lambert S.A.
Barclays Merchant Bank Limited
Citicorp Investment Bank Limited
Crédit Lyonnais
Daiwa Europe Limited
Generale Bank
KB International (Hong Kong) Limited
Malayan Banking Berhad
Samuel Montagu & Co. Limited
The Nikko Securities Co., (Europe) Ltd.
Takagin International (Asia) Ltd.
Toronto Dominion International Limited
Yokohama Asia Limited

UK COMPANY NEWS

Merger pushes Systems Designers over £3m mark

NEARLY DOUBLED taxable profits of £3.2m, against adjusted £1.7m, were achieved by Systems Designers, the computer consultancy, in the first six months of 1985.

The merger with Warrington Associates of the U.S. earlier in 1985 "has contributed to a substantial increase in the scale of the group's operations," says Mr Philip Swinstead, the chairman. Turnover increased from £1.7m to £2.5m and the market for systems consultancy "is expanding steadily and it is our objective to grow with it as one of the international leaders in the field," he says.

Comparatives for 1984 have been restated as if Warrington had been a member of the group for that period. Warrington's year end has been changed from October 31 to December 31. The interim dividend is being raised by 50 per cent from a scrip issue adjusted 0.1p to 0.15p. Earnings per share were 0.84p higher at 1.32p.

Mr Swinstead says that during the period "we have made good progress both in the U.S. and in our European software business."

Systems' principal operation in the U.S. is Warrington Associates, which produced the "good results" anticipated at the time of the merger. Its Bolt (Bond On-Line Trading) service maintained its dominant position in the bond trading market. An upgraded Bolt II will be installed in all clients' offices following current market trials. A product strategy for related markets is being evaluated and developments planned.

Capital investment in 1985 to support the business in Minnesota and Alabama, U.S., will exceed £2m.

Systems' European software business, strengthened by the merger with Systems Programming in 1984, has been structured into four main market areas across both the UK and Europe.

under one management. "Group profit margins have been steadily improving as a result," says the chairman.

Although fees turnover increased by 51 per cent over the comparable period last year, there was no significant increase in professional staff numbers. "This was a deliberate policy of consolidation and reorganisation to improve margins and has only recently been replaced at midyear by a return to staff expansion to meet increasing business," he says.

In all of Systems' markets, there is a move, he says, towards product-based solutions and "we are placed to take advantage of this trend."

The scientific division has an office in Boston to further sales of Ada and Artificial Intelligence products into the U.S. market. The office will work closely with the established Virginia software company.

Difficult trading cuts £1m off Travis profit

AS FORECAST, trading in the first half of the year at Travis & Arnold has been difficult and has left profits down by £1m to £3.6m at the pre-tax level.

Higher interest rates and lower local authority spending depressed construction activity and the situation was made worse by poor weather at the start of the year, Mr Travis, chairman, states. He adds that timber prices and margins "have been under particular pressure."

The chairman says that as a result of the trend to lower mortgage rates, confidence should improve again in the housing market and he hopes for an improved trading pattern "together with a brighter outlook for 1986."

Turnover of this timber, building materials, plumbing and central heating equipment supplier for the six months to June 30 last dipped to £61.2m, against £64m, and trading profits amounted to £2.5m (£4.2). Profits included investment income of £694,000 (£426,000) but were subject to tax of £1.46m (£1.93m).

Earnings per share are lower at 12.5p (15.7p) but the interim dividend is maintained at 1.85p net—last year's final payment was 5.97p from taxable profits of £9.63m.

The chairman stated in his annual review that it would not be an easy first half but directors remained confident that looking ahead a little further they could continue to build on the very firm base the company had.

No account has been taken in the interim results of sales or profits of Kennedy's (Builders' Merchants) acquired shortly before the end of June.

Oriflame is buying a second Swedish retail jeweller

THE FIRST half of 1985 was the most important in the history of Oriflame International, according to Mr Jonas af Jochnick, chairman. There was satisfactory growth in profits and sales of its traditional operations in the direct selling of cosmetics and it announced a major acquisition in Sweden which took the company into a new area of operations.

In addition the chairman announced, with the interim results, that agreement had been reached in principle to buy another Swedish company.

The acquisition of Guldlynd, the largest jewellery retail chain in Sweden for £14.5m, is now subject only to Swedish Government approval. Oriflame intends to buy 90 per cent of another Swedish jewellery chain, Guldskidan, for SKr 4.3m (£864,000) cash.

The move will add 37 shops and a turnover of SKr 70m (£3m) to the 101 shops of Guldlynd. Mr af Jochnick says that the latest acquisition will bring in management expertise that is needed for the operation of the combined businesses as well as prime store locations.

The acquisition will become effective on January 1, 1986. There is an undertaking to buy the balance of the company at a later stage for shares. In the six months to the end of June taxable earnings rose by 19 per cent on turnover (excluding turnover taxes) up by 15 per cent. Pre-tax profit was £2.53m (£2.12m) on sales which rose from £13.28m to £15.3m. From earnings per £1 share of 21.4p, against 16.7p adjusted for last year's scrip issue and conversion to £1 shares the interim dividend has been raised from an adjusted 8.6p to 8.5p.

Operating profit increased from £2.08m to £2.09m, reflecting the chairman says, the major efforts to restructure and strengthen the sales force and marketing programme.

Other income increased by £400,000 to £505,000 with higher interest received, and a reversal of the exchange losses for the same period last year. The pre-tax figure was struck after the share of losses of associated companies took £73,000 (£66,000).

The Scandinavian sales division continued to provide substantial growth in sales and profit, particularly in Sweden in the direct sales division. UK showed further growth and in Holland the major restructuring was completed, part of which involved the launch into Belgium.

Comment

Partly, the Tupperware parties of the Jewellery direct sale business, are the secret of Oriflame's strong growth record. Its main competitor in Europe is Avon which still relies on the door to door (or one-to-one) method. As Avon have given up in Scandinavia so Oriflame has strengthened its position there. Now the battle is on for Benetton. The Guldlynd acquisition—100 shops in Sweden and Finland—has cost very little in cash terms and even with the more recent "Chain of Gold" purchase (also in Sweden) the group should end the year with its £10m cash pile intact. While much of the growth has been in Scandinavia for this Luxembourg registered, London listed company, other markets are being developed in both the U.S. and in the Far East, although start-up costs mean that associates are still making a negative contribution. In the UK the problems of the past seem to have been resolved following some management and other changes but the main interest here still seems to be in the stock market rather than in jewellery sales. For the full year £5.75m is forecast, which has the shares at 480p up 30p on a prospective multiple of 10 on the low tax charge of 13 per cent that comes with its chosen mailing address.

Kode drops to £0.1m and payment halved

Turnover at Kode International, computer equipment manufacturer, more than doubled from £5.6m to £14.7m for the 24 weeks ended June 14, 1985, but at the pre-tax level profits dropped to £101,000 compared with £482,000 previously. The interim dividend is halved to 1.75p per share.

The directors say they are disappointed, "particularly after positive progress has been made in overcoming many of the difficulties."

They add that while the fundamental problems in Kode appear to have been solved, with a modest profit now being made by that company, the state of the micro-computer markets in recent months "has had a marked effect on profits in the information technology division of the group."

Despite cost reductions profits declined, the directors state, but they add that more is being done to improve profitability.

After tax of £40,000 (£217,000) earnings per share are shown as 1.1p (5p).

New integrated system is Imtec's key to recovery

PRE-TAX LOSSES of £581,000 have been incurred by the Imtec group for the year to March 31, 1985. This compares with profits of £845,000 in the previous 12-month period.

However, the company, which manufactures and retails computer equipment, is confident of a return to profitability in the current year.

The confidence is based on current trading and management forecasts and Imtec believes "its market lead in the acknowledged growth area of computer aided office and drawing automation" will produce substantial rewards for shareholders in subsequent years.

The group's fundamental financial position remains sound, the directors state, with net assets attributable to shareholders at the year end at £3.6m—approximately 36p per 10p share.

Net turnover for the year was down marginally from £10.51m to £10.46m. Trading profits fell from £1.54m to £804,000 before research and development costs of £593,000 (£522,000) and grants

receivable of £108,000 (£225,000). No final dividend is being paid, leaving the only payment the interim of 0.4p—last year there was a single payment of 1.7p. The group's shares are traded on the Unlisted Securities Market. There was a loss per share of 3.7p compared with earnings of 8.5p in the previous year.

Commenting on the year's figures, the board says the outcome was disappointing. The company has been selling the capability of the Imtec Micro-plotter and the Imtec AO engineering drawing camera, but these are to be updated at a later stage into a fully integrated computerised design and drawing office system.

The company did not, however, anticipate the extent to which the market would demand this integrated capacity immediately and, as a consequence, a significant number of major customers have held over orders until it has completed the development of a full range of software packages. The company says it had no choice but to respond to this demand in the market.

WYKO GROUP PLC

Worldwide distributors of bearings and power transmission components; manufacturers and dealers in equipment for energy, metalworking and other industries.

A USM quotation was obtained for Wyko in April 1985.

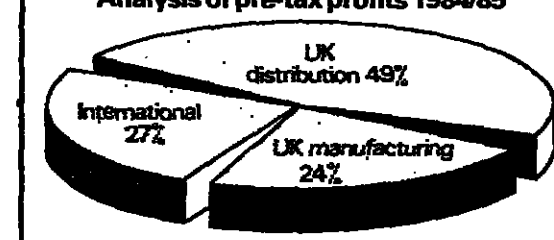
"There is an encouraging theme of expansion in all divisions which gives us confidence for our first year as a public company. We are well placed to continue the progress already achieved."

Roger Edwards, Chairman

Financial Summary to April 30th 1985

	1985	1984
Turnover	23,960	19,767 + 21.3%
Pre-tax profit	1,830	1,050 + 72.6%
Earnings per share	6.67p	4.11p + 62.3%

Analysis of pre-tax profits 1984/85



Copies of the report and accounts of the company can be obtained from The Company Secretary, Wyko Group PLC, Dudley, West Midlands, DY1 1GW.

Notice to the holders of ordinary shares/bearer depositary receipts for ordinary shares

AMEV

N.V. AMEV

(Established in Utrecht, The Netherlands)

Rights Issue of 1,194,776 new registered ordinary shares/bearer depositary receipts for registered ordinary shares of Dfl. 10.00 nominal each at Dfl. 267.50 per ordinary share/bearer depositary receipt to the holders of the existing ordinary shares/bearer depositary receipts in the proportion of Dfl. 10.00 new capital for each Dfl. 100.00 existing capital

The rights will be represented by coupon No. 60 of the currently outstanding bearer depositary receipts and will be traded on the Amsterdam Stock Exchange from 19th September, 1985 to 1st October, 1985, 1.15 p.m. Amsterdam time.

Subscription for the new ordinary shares/bearer depositary receipts will be open solely to the holders of rights upon the terms of the Dutch issue prospectus dated 17th September 1985, and will close on Tuesday, 1st October, 1985, 3.00 p.m. Amsterdam time. Subscriptions must be lodged with any of the offices in The Netherlands of the banks mentioned below.

Payment for the new ordinary shares/bearer depositary receipts allotted must be made on Wednesday, 16th October, 1985 at the office of the bank where subscription took place at Dfl. 267.50 per new ordinary share/bearer depositary receipt.

The new ordinary shares/bearer depositary receipts will rank for the final dividend in respect of the financial year to 31st December, 1985, and for all dividends in respect of the subsequent financial years.

The registered ordinary shares are not listed on a stock exchange. The bearer depositary receipts are listed on the Amsterdam Stock Exchange. The listing of the new bearer depositary receipts on the Amsterdam Stock Exchange has been applied for.

Holders of ordinary shares/bearer depositary receipts are advised to consult their professional advisers as soon as possible.

In The Netherlands copies of the Dutch prospectus and application forms may be obtained from the head offices of the banks stated below. In London these documents may be obtained from Pierson, Helderling & Pierson (UK) Limited, Level 15, City Tower, 40 Basinghall Street, London EC2V 5DQ together with an abridged English translation of the Dutch issue prospectus and a full translation of the latest Annual Report and of the 1985 Interim Reports of N.V. AMEV as of 30th June, 1985.

The issue has been underwritten by
Pierson, Helderling & Pierson N.V.
Algemene Bank Nederland N.V.
Amsterdam-Rotterdam Bank N.V.
Bank Mees & Hope NV
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.
Nederlandse Credietbank nv
Nederlandsche Middenstandsbank nv
CLN Oyens & Van Eeghen N.V.
Morgan Bank Nederland N.V.

Amsterdam, 17th September, 1985.

FISON'S

Worldwide growth continues to produce record results

From the Interim Statement by Chairman & Chief Executive Mr. J.S. Kerridge

"Strong international performances by all three Divisions produced a record result in the first half of 1985. Profit before tax at £30.1 million was 33% higher than the same period last year. Sales were up 28% at £322 million. Earnings per share at 10.2p were up 16%, continuing the pattern of sustained growth."

"The Board has decided to pay an increased interim dividend of 2.16p per share (1984 — 1.8p per share)."

Solient figures	6 months ended	6 months ended	12 months ended
abridged and unaudited	30.6.85	30.6.84	30.12.84
	£m	£m	£m
Sales	322.5	252.8	552.6
Group profit before taxation	30.1	22.6	48.3
Group profit after taxation	22.9	17.4	38.0
Earnings per share (see note)	10.2p	8.8p	18.8p
Dividend	2.16p	1.8p	4.5p

Earnings per share are stated after allowing for the Rights Issue of one share for every five held which was completed in April 1985. The results for the year ended 31.12.84 are abridged from the full audited Accounts for that year and have been filed with the Registrar of Companies.

FISON'S

Pharmaceuticals • Scientific Equipment • Horticulture

Brixton Estate

International investors in commercial property Interim Report 1985

	Six months to 30th June 1985	1984	Year 1984
	£000's	£000's	£000's
Net Rental Income	9,133	8,178	17,468
Investment Profit			
- pre-tax	4,625	4,201	8,815

Six months' figures unaudited

- 10% increase in investment profit
- Interim Dividend 2.30p per share - an increase of 9.5% over 1984

A copy of the full Interim Report, which has been sent to all shareholders, may be obtained from:
The Secretary, 22-24 Ely Place,
London EC1N 6TG.

Brixton Estate

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to subscribe for or purchase any shares.

Application has been made to the Council of The Stock Exchange for the grant of permission to include in the whole of the share capital of the Company, issued and now being issued, in the United Kingdom, a proportion of the shares being placed is available to the public through the market during normal business hours today, other than to or for the benefit of any person who is a national citizen or a resident or normally a resident of the United States of America or Canada, or to the estate of such person or to any corporation or other entity created or organised under any law of the United States of America or Canada or any political subdivision thereof. It is emphasised that no application has been made for these securities to be admitted to listing.

Dealings in the shares of the Company are expected to commence on 23rd September, 1985.

InfraRed ASSOCIATES Inc.

Incorporated with limited liability under the laws of the State of New Jersey, USA

Placing
by
Phillips & Drew
of
2,600,000 shares of Common Stock of par value \$0.10
each at 94p per share
payable in full on application

The shares now being placed rank in full for all dividends hereafter declared or paid on the share capital of the Company.

Authorised	Share Capital	Issued and now being issued fully paid
\$800,000	In shares of Common Stock of par value \$0.10 each	\$695,700

The principal business of the Company is the manufacture and distribution of infra-red detectors, primarily to the US commercial market. These detectors are used in analytical instruments and thermal imaging devices for industrial, medical and research applications, and in weather satellites. The Company has supplied detectors for several military prototypes and also markets its detectors outside the United States.

Particulars of the Company are available in the Extraordinary Shareholders' Meeting and copies of such particulars may be obtained during normal business hours on any weekday (Saturdays and Public Holidays excepted) up to and including 2nd October, 1985 from:-

Phillips & Drew,
120 Moorgate,
London EC2M 6EP

18th September, 1985

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange

EVANS OF LEEDS PLC

Incorporated in England under the Companies Act 1948 to 1967—No. 941478

Placing of

£12,000,000 11 per cent. First Mortgage Debenture Stock 2025 at £97.617 per £100 nominal, payable as to £25 per £100 nominal on acceptance and as to the balance by 31st January, 1986.

Application has been made to the Council of The Stock Exchange for the whole of the Stock to be admitted to the Official List.

In accordance with the requirements of the Council of The Stock Exchange, £1,200,000 of the Stock is available in the market today.

Listing particulars of the Stock will be circulated in the Extraordinary Shareholders' Meeting and copies of the listing particulars may be obtained during usual business hours on any weekday, except Saturdays and public holidays, up to and including 2nd October, 1985 from:-

Evans of Leeds PLC,
Millahaw,
Ring Road Beeston,
Leeds LS11 8EG

Hambros Bank Limited,
41 Bishopsgate,
London EC2P 2AA

Rowe & Pitman,
1 Finsbury Avenue,
London EC2M 2PA

Copies of the listing particulars will also be available until 20th September, 1985 from the Company Announcements Office, The Stock Exchange, London EC2P 2BT.

18th September, 1985.



ORIFLAME INTERNATIONAL SA

Interim Statement and Dividend

Oriflame International SA announces the availability of its interim statement for 1985 together with instructions for the collection of the interim dividend. Copies of the statement can be obtained on or after 17th September 1985 from Morgan Grenfell & Co. Limited, New Issue Department, 21 Austin Friars, London EC2N 2HB and Banque Indosuez, 39 Allée Scheffer, 2520 Luxembourg.



HARGREAVES
FUELS

LADBROKE INDEX
999-1,003 (-7)
Based on FT Index
Tel: 01-457 4411

UK COMPANY NEWS

Established subsidiaries give SHT 67% rise

Although the half year results from Scottish Heritable Trust include a four month contribution from the Hoskins & Horton companies acquired in March, the directors point out that the 67 per cent rise in pre-tax profits was primarily achieved by greater profitability from existing subsidiaries.

For the six months to end-June 1985 turnover improved by 37 per cent from £12.34m to £16.88m, and at the pre-tax level profits moved ahead by £589,000 to £1.24m.

In view of the good results, the directors are raising the interim dividend to 1.4p (1.1p), which is covered more than three times by increased earnings of 8.1p per share (4.7p). In 1984 a total of 2.5p was paid on profits of £1.9m.

Current trading is satisfactory, the directors say, although they do not expect the same rate of profits increase in the second half.

The Hoskins companies have integrated well and the sale of the Horton companies to Ticon Holdings, which was completed on September 2, has benefited the group by £5.5m cash.

These proceeds were received after the six month period and have not been included in the results. The sold companies contributed about £108,000 to group profits in the four months to end-June.

Scottish Heritable is a York-based holding company with interests in property and investment, building and quarrying and oil and gas development.

It achieved a 5677,000 increase in operating profit to £1.68m during the half year, from which there were higher interest charges of £334,000 against £196,000.

These charges partly reflect the increased borrowings to finance the Hoskins and Horton acquisitions.

The tax charge rose to £334,000 compared with £145,000 to leave net profits ahead at £947,000 (£557,000). Minorities added £11,000 (£14,000), and there were extraordinary charges this time of £135,000, which are entirely due to reorganisation costs at the Hoskins companies.

Attributable profit emerged higher at £223,000 against £671,000, and after a dividend absorption of £238,000 (£159,000), the amount transferred to reserves rose from £512,000 to £255,000.

Petrol profits

soar to £1.85m

Petrol, oil and gas expenses and producer, increased pre-tax profits to £1.85m in the six months to June 30 from £588,000 last time.

The company, floated on the Stock Exchange in February 1984, says full-year results should satisfy shareholders and it expects to pay a bigger final dividend than last year's 1p. Next year's results should be even better, says the directors.

Operating income was up to \$4.04m (£771,000). Operating on other costs were £1.4m (£257,000).

Pre-tax profits include exchange translation gains of £779,000 (£210,000). Interest charges of £312,000 (credit £10,000) and depletion and depreciation costs of £1.25m (£147,000). The tax charge was nil (nil). Earnings a share were 7.39p (3.09p, adjusted for a one-for-one scrip issue).

Hartons up nearly 48% to £1.08m

Hartons Group, which has recently failed to take over the Cole Group yesterday announced a near 48 per cent increase in first half profits.

The result, up from £728,000 to £1,080,000 pre-tax, included a first time £190,000 contribution from the Elsen and Robbins Group acquired last December. Hartons is an industrial holding company with interests in plastics, foam and spring assemblies, consumer products and property.

Turnover was more than doubled from £12.3m to £25.4m for the first half of 1985, but the group's overall performance was restricted by the reorganisation of the consumer products division; DIP and Summer Products lost £266,000.

Glen Intl. raises Minebea holding

Glen International Financial Services, the investment company headed by Mr. Terry Ramsden, yesterday announced that it has increased its holding in Minebea, the Japanese ball bearing maker, by a further 14 per cent.

Last month, Mr. Ramsden sold an option to buy his 23 per cent stake in Minebea, held in the form of warrants, to Mr. Charles Knapp of California based Trafalgar Holdings.

The deal sparked interest in Minebea shares, which rose sharply in Tokyo on the announcement and speculation that the Japanese company could become the target of a hostile foreign bid.

Bernard Matthews boosted by meat products growth



Mr. Bernard Matthews, chairman

CONTINUING growth and cost reductions in the meat products division have boosted both turnover and taxable profits of Bernard Matthews for the 28 weeks ended July 14, 1985. And directors say that prospects for the second half are encouraging with figures continuing to run at record levels.

Sales for the interim period rose from \$44.7m to \$50.88m while at the pre-tax level the figure surged to \$5.28m, compared with \$1.02m. The interim dividend is also boosted, from 5p to 5.75p per share, last year's final payment being 4p from profits down at \$5.1m (\$7m).

The directors say that both the company's pork and lamb roasts proved successful following the extension of distribution. During the first half of the year, however, demand for the lamb roast outstripped supply but a recent arrival of the first of regular shipments from New Zealand will help satisfy this demand, the directors point out.

They add that a number of new products were introduced into test markets while development is advanced on a number of others, some of which will be launched later this year.

Pre-tax figure was struck after interest charges of \$500,000 (\$114,000) and included an exceptional credit of \$788,000 covering the settlement of arbitration proceedings concerning a claim the company began four years ago over the supply of defective raw materials for feed.

After tax of \$2.45m (\$204,000) earnings, which has the shares at \$217,000 to \$3.83m or 24.02p (\$1.1p) per share.

comment

B. Matthews expansion into red meat is growing and with it group dependence on the fickle Xmas turkey market has shrunk from 95 per cent of turnover five years ago to only 10 per cent today. The 13 year deal with the New Zealand Meat Producers' Board for lamb joints has only

just started but already demand is more than double what can be supplied. As the NZ facility steps up to full production, which should be reached by mid-1986, and all processing of the lamb is shifted from the UK the margin gains will be significant. Unlike its turkey business, in red meat Matthews only buys what it wants to sell—hence the margin gains reflected in the interim results. The exceptional item is the final payment in settlement of a four year old court case over defective feed and should really be stripped out for comparison purposes. Nevertheless, Matthews is ahead of expectations and the analysts are marking the company up for the year. Pre-tax £11m should be achieved, which has the shares at 48p and a tax rate of 35 per cent on a prospective p/e of just over 10. Short of violent increases in feed prices or a revival of the "turkey war", this quality brand name can certainly justify a somewhat higher rating.

BOARD MEETINGS

TODAY	FUTURE DATES
Interim: A.T.A. Selection, Allied Plant, B.L. Bamrose, Britannia Arrow, British Synchro Industries, Business Computer Systems, Calsonic, Cable, Cooper Industries, Delaney, Garmore Information and Financial Trust, J. Lewis (Preston), Jervis and Shipyard Legal and General, Love Howard, Sank Campbell-Devell, Hugh Mackay, Owen Green, Paul Michel, Leisurewest, Soong, Steel, Sumit Jones, Stewart Wrightson, Westwood Davies, James Wilkes, Woodworth.	Interim: American Electronic Components, Ash and Lay, Berkeley Exploration and Production, British Home Stores, Camellia Investments, Cantor's Investments, Clark, Nickolls and Coombs, Clifford's Deities, Fitter Packaging, Ganes (Frank G.), Group Lotus, Lilliput, London Atlantic Invest, Trust Petroleum.
Sept 23	Sept 23
Oct 14	Oct 14
Sept 23	Sept 23
Oct 16	Oct 16
Sept 23	Sept 23
Oct 28	Oct 28
Sept 25	Sept 25
Oct 11	Oct 11
Sept 30	Sept 30
Oct 2	Oct 2
Oct 17	Oct 17
Sept 26	Sept 26

WILL YOU BE DROWNED BY THE NEW V.A.T. PENALTIES BEFORE YOU CALL FOR HELP?

Not everyone has realised the full implications of the new VAT rules.

Bluntly, it is probable that if you carry on as you are, your company will automatically become liable for swingeing penalty payments. At present, some 85% of VAT returns are submitted late, and under the new legislation a late return can mean an automatic, immediate penalty of up to 30% of the total.

Think of that as up to 4.5% of turnover (and then think of your present net margin) and you can see that you could be in very deep water indeed. Even punctual returns will be penalised heavily if they are incorrect.

One company was unaware of its VAT liability on the way it charged subsidiaries for central management services. The VAT assessment for six years was an unwelcome £500,000. And under the new rules, the company would be liable to a penalty of £150,000 as well.

Another company rewarded its sales force with generous prizes. The VAT man treated them as business gifts, and required the company to account for output tax on their cost. The assessment was £45,000, and the penalty would be a further £13,500.

Don't imagine that only an unlucky

few will be hit by this tidal wave of penalties. HM Customs & Excise have made it quite clear that increased vigilance will lead to widespread use of the powers, and that they will interpret the defence of "a reasonable excuse" very narrowly indeed.

Mercifully, a lifebelt, so to speak, is at hand—in the form of the specialist VAT planning and advisory group at Deloitte Haskins & Sells. Our services, which include a complete review of your existing procedures to help ensure full and continuing compliance, offer a highly cost-effective solution. Provided that you call us in early enough, proper planning can help you avoid the assessments as well as the penalties.

At the end of September, we shall produce a special booklet entitled "VAT Survival" for our clients. If you too would like a copy, fill in the coupon below.

You can also use it to request a consultation with one of our specialists, or details of our forthcoming VAT seminars.

Complete it right now—unless, of course, you're quite positive that you're not sailing too close to the wind.

To: Ian Somerville, Partner, Deloitte Haskins & Sells,
128 Queen Victoria Street, London, EC4P 4JX. Telephone: 01-248 3913.

- ☐ Please send me a copy of your publication "VAT Survival."
- ☐ Please arrange a consultation to discuss my company's needs.
- ☐ Please send me details of your half-day seminars in London on 4th and 5th November 1985.

Name _____ Position _____
Company _____ Tel _____
Address _____ Postcode _____

Deloitte Haskins + Sells
PROFIT FROM OUR SKILLS

St George's Way, Kensington				Property Growth Asset Co. Ltd.				01-6801000			
Investment	200.0	200.0		Property Growth (A)	200.0						
Capital Gains	200.0	200.0		Property Growth (B)	200.0						
Capital Gains	200.0	200.0		Property Growth (C)	200.0						
Capital Gains	200.0	200.0		Property Growth (D)	200.0						
Capital Gains	200.0	200.0		Property Growth (E)	200.0						
Capital Gains	200.0	200.0		Property Growth (F)	200.0						
Capital Gains	200.0	200.0		Property Growth (G)	200.0						
Capital Gains	200.0	200.0		Property Growth (H)	200.0						
Capital Gains	200.0	200.0		Property Growth (I)	200.0						
Capital Gains	200.0	200.0		Property Growth (J)	200.0						
Capital Gains	200.0	200.0		Property Growth (K)	200.0						
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Capital Gains	200.0	200.0		Property Growth (M)	200.0						
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Capital Gains	200.0	200.0		Property Growth (Q)	200.0						
Capital Gains	200.0	200.0		Property Growth (R)	200.0						
Capital Gains	200.0	200.0		Property Growth (S)	200.0						
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Capital Gains	200.0	200.0		Property Growth (X)	200.0						
Capital Gains	200.0	200.0		Property Growth (Y)	200.0						
Capital Gains	200.0	200.0		Property Growth (Z)	200.0						
Capital Gains	200.0	200.0		Property Growth (AA)	200.0						
Capital Gains	200.0	200.0		Property Growth (AB)	200.0						
Capital Gains	200.0	200.0		Property Growth (AC)	200.0						
Capital Gains	200.0	200.0		Property Growth (AD)	200.0						
Capital Gains	200.0	200.0		Property Growth (AE)	200.0						
Capital Gains	200.0	200.0		Property Growth (AF)	200.0						
Capital Gains	200.0	200.0		Property Growth (AG)	200.0						
Capital Gains	200.0	200.0		Property Growth (AH)	200.0						
Capital Gains	200.0	200.0		Property Growth (AI)	200.0						
Capital Gains	200.0	200.0		Property Growth (AJ)	200.0						
Capital Gains	200.0	200.0		Property Growth (AK)	200.0						
Capital Gains	200.0	200.0		Property Growth (AL)	200.0						
Capital Gains	200.0	200.0		Property Growth (AM)	200.0						
Capital Gains	200.0	200.0		Property Growth (AN)	200.0						
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Capital Gains	200.0	200.0		Property Growth (AP)	200.0						
Capital Gains	200.0	200.0		Property Growth (AQ)	200.0						
Capital Gains	200.0	200.0		Property Growth (AR)	200.0						
Capital Gains	200.0	200.0		Property Growth (AS)	200.0						
Capital Gains	200.0	200.0		Property Growth (AT)	200.0						
Capital Gains	200.0	200.0		Property Growth (AU)	200.0						
Capital Gains	200.0	200.0		Property Growth (AV)	200.0						
Capital Gains	200.0	200.0									

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01-748 925	
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12.27	Q
01-631 331	
12.98	NA

01-628 806	12.01	44
01-628 150	12.32	0
01-609 343	12.280	-
0245 5165	12.35	0
07999 Ex 865	11.92	0
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Money Market

OPTIONS

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Phibro issues oil options

BY DOMINIC LAWSON

THE FIRST public offering of crude oil warrants was launched yesterday by Phibro-Salomon, the U.S.-based investment banking and commodities trading group.

The warrants will be publicly-traded options which will give the owner the right to buy or sell crude oil at a specified future date and price.

The offering consists of 16,000 warrants to purchase 1,000 barrels of West Texas Intermediate crude oil, and the same amount of warrants to sell 1,000 barrels of the oil. West Texas Intermediate is the most widely traded U.S. crude oil, with a volume equivalent to up to 20m barrels a day being traded daily on the New York Mercantile Exchange.

The dramatic growth of the NYMEX oil futures market from a standing start in March 1983 is one of the factors behind the Phibro-Salomon move.

Warrants give the holder the

option to lock in a particular buying or selling price at a most limited—unlike futures contracts—to the cost of the premium.

But Ms Rosemary McFadden, the president of NYMEX said yesterday that she did not see the new oil options as a threat to the futures market. She added that NYMEX has laid before the U.S. Commodity Futures Trading Commission a proposal to launch crude oil options contract linked to the NYMEX oil futures market.

Phibro-Salomon believes that the warrants will be particularly attractive to banks and other institutions exposed to oil price risks, who wish to hedge against those uncertainties. However, Mr Mike Unsworth, oil analyst at stockbrokers Scott Giff Layton said yesterday that the warrants would appeal most of all to speculative private punters.

The warrants are designed also to attract oil companies, particularly refiners, to hedge

against future oil price uncertainties. But Mr Andrew Hall, a director of Phibro Energy admitted yesterday that the oil industry would be "bemused" by the new hedging tool.

Phibro-Salomon conceded that there had not been a major "pre-selling" campaign, so it was difficult to gauge the likely public response to the warrants issue, which is planned for a quotation on the Luxembourg stock exchange.

The total volume of the issue—16m barrels—is the same as the daily production ceiling of the Organisation of Petroleum Exporting Countries and Phibro-Salomon has dubbed the new investment "Opac"—or oil puts and calls.

The International Petroleum Exchange (IPE) has called an extraordinary general meeting for the first week in October to finalise the launch of its new crude oil index futures contract. IPE secretary Peter Wildblood said.

Firm stances taken at coffee pact meeting

PRODUCERS and consumers of coffee were both taking a tough line yesterday in the early stages of negotiations on export quotas for the coming coffee year which starts on October 1, reports Renter.

As an opening gambit in two weeks of talks at the International Coffee Organisation in London, producing countries proposed a cut in the global export quota to 55m bags from the present level of 58m, and a 5 per cent increase in the price range to 125-145 U.S. cents per pound.

Consumers were expected to propose a global quota of 60m bags or more, and an increase in the price range to 130-150 U.S. cents per pound. While Mr Abraham Van Overbeke of the Netherlands, the consumer spokesman, drew an explicit link between consumers' readiness to continue to apply the economic provisions of the International Coffee Agreement with progress on a range of other issues.

In their opening statement, the consumers said any global quota should be set with the aim of avoiding a return to the high prices seen during the past two years. For more than three quarters of the current coffee year, the ICO average price, which has since dropped, was 120 cents, was in the upper part of the price range, with the global quota set at 60m bags.

Chinese cotton
PEKING—China has taken steps to cut production of cotton sharply, according to the New China News Agency. Reuters.

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LONDON MARKETS

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They were reluctant, however, to read any real strength into the move, which followed a 213 rise on Monday, preferring to see it as evidence that the market had moved from a slightly bearish mood to a slightly bullish one.

The London market's daily raw sugar price was fixed at 133.50 a tonne, 36 below Monday's 21-month high, but futures prices were up a little following the late sell-off on Monday. On the London market, the stronger sterling helped to push nickel values to fresh 15-month lows.

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902	1.1	6.0
903	2.4	6.8
904	3.7	7.5
905	5.0	8.2
906	6.3	8.9
907	7.6	9.6
908	8.9	10.3
909	10.2	11.0
910	11.5	11.7
911	12.8	12.4
912	14.1	13.1
913	15.4	13.8
914	16.7	14.5
915	18.0	15.2
916	19.3	15.9
917	20.6	16.6
918	21.9	17.3
919	23.2	18.0
920	24.5	18.7
921	25.8	19.4
922	27.1	20.1
923	28.4	20.8
924	29.7	21.5
925	31.0	22.2
926	32.3	22.9
927	33.6	23.6
928	34.9	24.3
929	36.2	25.0
930	37.5	25.7
931	38.8	26.4
932	40.1	27.1
933	41.4	27.8
934	42.7	28.5
935	44.0	29.2
936	45.3	29.9
937	46.6	30.6
938	47.9	31.3
939	49.2	32.0
940	50.5	32.7
941	51.8	33.4
942	53.1	34.1
943	54.4	34.8
944	55.7	35.5
945	57.0	36.2
946	58.3	36.9
947	59.6	37.6
948	60.9	38.3
949	62.2	39.0
950	63.5	39.7
951	64.8	40.4
952	66.1	41.1
953	67.4	41.8
954	68.7	42.5
955	70.0	43.2
956	71.3	43.9
957	72.6	44.6
958	73.9	45.3
959	75.2	46.0
960	76.5	46.7
961	77.8	47.4
962	79.1	48.1
963	80.4	48.8
964	81.7	49.5
965	83.0	50.2
966	84.3	50.9
967	85.6	51.6
968	86.9	52.3
969	88.2	53.0
970	89.5	53.7
971	90.8	54.4
972	92.1	55.1
973	93.4	55.8
974	94.7	56.5
975	96.0	57.2
976	97.3	57.9
977	98.6	58.6
978	99.9	59.3
979	101.2	60.0
980	102.5	60.7
981	103.8	61.4
982	105.1	62.1
983	106.4	62.8
984	107.7	63.5
985	109.0	64.2
986	110.3	64.9
987	111.6	65.6
988	112.9	66.3
989	114.2	67.0
990	115.5	67.7
991	116.8	68.4
992	118.1	69.1
993	119.4	69.8
994	120.7	70.5
995	122.0	71.2
996	123.3	71.9
997	124.6	72.6
998	125.9	73.3
999	127.2	74.0
1000	128.5	74.7
1001	129.8	75.4
1002	131.1	76.1
1003	132.4	76.8
1004	133.7	77.5
1005	135.0	78.2
1006	136.3	78.9
1007	137.6	79.6
1008	138.9	80.3
1009	140.2	81.0
1010	141.5	81.7
1011	142.8	82.4
1012	144.1	83.1
1013	145.4	83.8
1014	146.7	84.5
1015	148.0	85.2
1016	149.3	85.9
1017	150.6	86.6
1018	151.9	87.3
1019	153.2	88.0
1020	154.5	88.7
1021	155.8	89.4
1022	157.1	90.1
1023	158.4	90.8
1024	159.7	91.5
1025	161.0	92.2
1026	162.3	92.9
1027	163.6	93.6
1028	164.9	94.3
1029	166.2	95.0
1030	167.5	95.7

RECENT ISSUES

Equities quietly dull on oil price uncertainties

EQUITIES

EQUITIES

1	5 years	113.59
2	5-15 years	133.26
3	Over 15 years	137.38
4	Irredeemables	150.62
5	All stocks	139.89
6	Debtors & Loans	112.24
7	Preference	80.44
8	All stocks	111.63

*Flat yield. Highs and lows re available from the Publishers.

BRITISH GOVERNMENT INDEX—LIVE				
-0.05	111.68	—	2.46	15 Inflation 16.

ard, base dates, values and constituent changes as
the Financial Times, Bracken House, Cannon

25 years.....	11.31	11.94	12.07
10 years.....	12.19	12.20	13.14

STOCKS			
5%.....	3.58	3.55	3.81
10%.....	3.52	3.34	3.61

Published in Saturday issues. A list of constituents is available on request.
 London, EC4P 4BY, price 15p, by post 25p.

TRADES: 22,820
B=Bid C=Call P=Put

Fr. 69.10	340	53
Pl. 60.20	360	35
Fr. 1.80.00	280	22
	295	16
	500	—
Fr. 1.78.40	140	16
Fr. 2.35	160	41
"	180	11
	260	55
	280	20
	420	10

30	22	3	4	8 1/2	
10 1/2	13	12	12	17	
4	--	20	32	--	
67	50	7	6	--	
45	20	7	15	--	
80	27	22	25	25	

(*1296)				
1275	--	40	47	--
1300	9	25	--	45 1/2
1322	3	15	28	--
1580	2	5	18	20 1/2

September 17 Total Calls 5,595 Sales 4,549 Put
 *Underlying, security price.

the Institute of Actuaries and the Faculty of Actuaries				

6) Investments in Cash	80.04	+0.04	80.41	—	5.21	14) Preference	12.19	12.20	13.
7) Preference									
BRITISH GOVERNMENT INDEX—LINKED STOCKS									
8) All stocks	111.63	-0.65	111.68	—	2.46	15) Inflation rate	5%	3.56	3.55
						16)	10%	3.36	3.34

*First yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post.

[illegible]

S/F L	C	FL340	—
S/F L	O	FL348	—
S/F L	P	FL308	—
S/F L	P	FL310	—
S/F L	P	FL315	5
S/F L	P	FL320	939
S/F L	P	FL322	303
S/F L	P	FL330	43
S/F L	P	FL335	38
S/F L	P	FL340	9
S/F L	P	FL345	—
S/F L	P	FL350	3
S/F L	P	FL350	3
S/F L	P	FL370	4
S/F L	P	\$140	—
ABN	C	FL500	100
ABN	P	FL480	40
AEGN	C	FL100	37
AEGN	C	FL95	102
AEGN	C	FL90	150

Day's change	Stock	changes close
24	Brit Aerospace	405.00

[illegible]

	B.P.	500	57	5
+33	(*525)	550	12	2

Shell Trans. ('870)	560	38
	700	5
Tragfar Hiss ('265)	253	47
	550	50
	253	21
	260	6
	283	6
	390	6

	Option	Nov.
BAT Inds. ('276)	280	15
	300	8
	350	2
	360	1
Barclays ('372)	258	50
	360	50
	285	18
	290	18

63	7	14	23	130
35	33	37	43	140
17	75	78	82	160

[illegible]

18	24	11	14	10
11	16	24	24	20
6	10	44	44	44

2	1	15	35	65	75
3	1	6	32	115	180
29	35	40	1	4	
11	19	25	3	10	
1	9	14	14	20	
82	125	155	3	90	
35	95	125	6	37	
13	60	95	32	60	
25	—	—	1	—	
12	23	—	1 $\frac{1}{2}$	6	
—	11 $\frac{1}{2}$	26	—	16	
1	—	17	—	—	
0 $\frac{1}{2}$	6	—	32	34	
47	54	61	1	2	
27	29	44	2 $\frac{1}{2}$	16	
11	36	30	6	18	
1	17 $\frac{1}{2}$	23	17	28	
0 $\frac{1}{2}$	5	—	47	49	

1000

[illegible]

Nasdaq national market 2.30pm prices

[illegible]

2

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[illegible]

Continued on Page 50

AMEX COMPOSITE PRICES

[illegible]

Continued on Page 37

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FRANCE

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Downswing momentum intensifies

THE UNDERLYING weakness of the market surfaced yesterday on Wall Street in the form of sell orders for a wide range of stocks, writes Terry Byland in New York.

Turnover increased sharply as the downswing sharpened with airline stocks falling clearly into sellers' sights. The tempo was further heightened when the futures contract on the S&P 500 index showed a discount against the index itself.

At the close the Dow Jones industrial average was down 10.98 at 1,298.16.

The bond market also weakened as investors awaited the Commerce Department's "flash" estimate of third-quarter growth in GNP due on Friday. But with federal funds safely below 8 per cent again, short-term rates made little move.

This week's data on business inventories and industry operating rates has done little to narrow the spread in analysts' views on the pace of the U.S. economy. Friday's estimate of GNP growth is expected to be between 3 and 4 per cent - with the lower end of the range unlikely to please many investors.

An additional reason for indecision was the likelihood that the U.S. Treasury was about to decide on financing needs for the final quarter - although

the Senate has yet to approve the required increase in the federal debt ceiling.

The stock market was quickly unsettled by discouraging news from the technology industry. Stock in Control Data made a delayed start after decisions against proceeding with its offering of \$200m in notes and \$100m in preferred stock.

After the disclosure that its peripheral equipment business was "not improving as previously expected" and that the loss on computer business might exceed expected earnings from the Commercial Credit subsidiary, Control Data fell 2 1/2% to \$18, although trading was light.

The weakness in Control Data soon spread to other technology issues. IBM, which announced new typewriter models, was down 1 1/4% at \$127 1/4. Digital Equipment Corp fell 1 1/2% to \$105 1/2. News that Mr. Stephen Jobs, founder and former chairman, might be setting up in opposition lowered Apple computer 3/4% to \$15.

Analysts of the airline industry turned bearish after the disclosure that passenger traffic appeared to be slowing down. A spurt of selling lowered United Airlines 3 1/2% to \$49 1/2, American 3 1/2% to \$39 1/2, Delta 1 1/4% to \$41 1/4 and Northwest Air 5 1/4% to \$54 1/4.

In addition to reducing earnings estimates on some airlines, analysts suggested taking profits in the sector, which has outperformed the industrial market over the past six months.

General Motors, 1 1/4% down at \$67 1/2 led the auto sector lower. In the chemical sector, Monsanto dipped 1 1/4% to \$48 1/4 as it completed the acquisition of G. D. Searle.

Defence stocks continued to give ground in the face of Saudi Arabia's order to Europe for fighter aircraft. At

\$70 1/4, McDonnell Douglas fell a further 1 1/4% and Lockheed lost 1 1/4% to \$48 1/4.

Takeover stocks played a less active role than in recent sessions. Richardson-Vicks fell 5% to \$50 1/2 in moderate turnover as Wall Street waited for the federal court hearing on Unilever's case against the Richardson management. Unilever is offering \$56 a share, if it gains the support of the Richardson board, and \$54 if not.

Trading in SCM was subdued, with the price \$4 up at \$72 1/4, also pending a court hearing. The SCM management group is claiming that Hanson Trust of the UK illegally bought a 25 per cent stake.

But Portec, which announced that a leveraged buyout planned by an investor group has been dropped, fell 1 1/4% to \$15 1/2.

The department store sector turned easier after Macy's, the premium Fifth Avenue store, announced that earnings had fallen sharply in the third quarter. At \$45 1/4, Macy's was down 1 1/4%. Sears dipped 3/4% to \$33 1/4, K mart 3/4% to \$31 1/4 and J. C. Penney 3/4% to \$48 1/4.

Bond prices began to fall away as the session progressed. That was due to the lack of news on the Treasury's refunding plans and the fact that new debt limit proposals cleared the Senate committee and approached the full Senate.

By mid-session, bond prices were more than an eighth of a point down. Rates also edged higher at the short end despite an easing in the federal funds rate.

TOKYO

Blue chips encouraged by bonds

BOND PRICES advanced in Tokyo yesterday on buying of long-term government bonds by leading brokerage houses, encouraging investors to purchase large-capital stocks such as Mitsubishi Heavy Industries, writes Shigeo Matsui in Tokyo.

The Nikkei-Dow average added 5.81 to 12,591.51 on a volume of 407.03m shares, compared with 419.04m. Losses outnumbered gains by 443 to 360, with 138 issues unchanged.

U.S. retail sales for August and other economic indicators announced last week and early this week eased investor fears that economic recovery in the U.S. would lead to a rise in interest rates. Securities companies actively bought bonds, pushing up prices steeply.

The yield on the 6.5 per cent government bonds maturing in December 1994 slipped below 8 per cent to an all-time low of 5.970 per cent against 6.085 per cent last Friday. The previous low was 6.075 per cent, registered on August 29. This is the first time that a long-term government bond has dipped below 6 per cent.

Among equities, Mitsubishi Heavy Industries led the market, advancing Y14 to a record of Y433 on a turnover of 76.69m shares - the heaviest of the day. Kawasaki Heavy Industries, third busiest with 19.50m shares, gained Y15 to Y232, Nippon Steel Y5 to Y172 and Ishikawajima-Harima Heavy Industries Y9 to Y198.

Constructions were also heavily traded, with Obayashi the fourth most active with a turnover of 12.64m shares as it rose Y5 to Y433. Kajima, fifth most active, jumped Y16 to Y511. The four largest brokers hope to make large-capital stocks and constructions the main market pillars in their new business year starting in October.

Mitsui Real Estate closed Y13 higher at Y967 and Sumitomo Realty and Development Y12 higher at Y980, while Nippon Express added Y10 to Y575. Sapporo Breweries advanced Y17 to Y375, reflecting its plan to redevelop idle land.

Elsewhere, Japan Air Lines fell Y190 to Y5,300 and Kikkoman fell Y20 to Y680, reflecting Saturday's resignation by the board of Manns Wine, the brewer's soy sauce subsidiary, after diethylene glycol-contaminated Austrian wine was detected in its domestically labelled products.

HONG KONG

SPECULATION over a rise in local interest rates dampened sentiment in Hong Kong and left prices to drift sharply lower.

Pressure on the banking sector after news of a run on Macao branches of the unlisted Wing Hang Bank also contributed to the lower tone.

In banks, Bank of East Asia was steady at HK\$22.50, Hang Seng eased 50 cents to HK\$43.00, Wing Lung Bank fell HK\$1.00 to HK\$34.00 while Hongkong Bank ended unchanged at HK\$7.25.

In blue chips, Cheung Kong dropped 40 cents to HK\$18.00.

SINGAPORE

EARLY WEAKNESS in Singapore was brushed aside late in the day after speculative interest returned to push prices higher.

Promet was the most active issue, rising 7 cents to S\$1.28 after accounting for 9 per cent of the day's volume. Rumours of continuing sales by one of the company's large shareholders kept traders wary, however.

Pan Electric was also active, adding 4 cents to S\$2.08, as was Kuala Lumpur Industries unchanged at S\$1.80 and Palco up 2 cents at S\$1.31.

Among steady to firmer banks, DBS gained 9 cents to S\$6.05.

EUROPE

Confidence fuels two centre rally

BROAD-BASED support for equities on European bourses led Frankfurt and Brussels to record levels as foreign and domestic investors expressed confidence in the economic and corporate outlooks for West Germany and Belgium.

The Commerzbank index reached its fourth peak this month with a 20.6 rise to 1,594.0, heavily under the influence of buying in West German capital goods.

Siemens was the pace-setter, adding DM 23 to a record DM 607, while AEG consolidated the previous day's advance with a DM 2.40 rise to DM 147 and Nixdorf DM 5.50 to DM 581.50.

Trading started in BASF's one-for-14 rights at DM 190. The shares added DM 2.10 to DM 227.50 and the rights were quoted at about DM 2.40. In the same sector, Hoechst rose DM 3.70 to DM 22.70 and Bayer DM 3.10 to DM 225.80.

Automotive issues were sheltered from the bulk of buying support with VW adding DM 2 to DM 345, BMW DM 1 to DM 501 and Daimler DM 1 to DM 989.

Banks improved on Monday's performance. Commerzbank increased DM 4.10 to DM 224.10, while Deutsche added DM 8 to DM 589 after peaking at DM 601.

Public bonds rose up to 15pfg in moderately active trading. The Bundesbank sold DM 52m worth of paper, up on Monday's sale of DM 27.8m.

A decline in short-term interest rates and the likelihood of an alteration in the Belgian tax code that might encourage share-market investment, compounded a general bullishness and pushed the Brussels stock exchange index to a new peak.

After hovering around record levels for some time, the index moved sharply forward yesterday to close 24.85 higher at 2,458.39.

Holding companies were at the centre of support and, under heavy trading, scored the largest advances. Groupe Bruxelles Lambert firmed Bfr 65 to Bfr 2,005.

Petrofina, the nation's largest industrial company, firmed Bfr 70 to Bfr 6,210.

Utility stocks moved higher under the influence of the cut in short-term inter-

est rates. The Belgian central bank followed by reducing by 0.10 percentage points the rate on three-month Treasury bills. Intercom gained Bfr 35 to Bfr 2,305 and Elbes climbed Bfr 25 to Bfr 3,015.

Among chemicals, Solvay enjoyed further foreign demand and jumped Bfr 250 to Bfr 5,880 and UCB closed up Bfr 190 at Bfr 5,350.

In Amsterdam, shares moved higher before the announcement of the Dutch budget, although many investors chose to wait the release of the details before further commitment to the market at current high levels.

Royal Dutch Petroleum firmed to Fl 190.80 from Fl 190.40 ex-dividend a day earlier.

Unilever added Fl 2.50 to Fl 343.0, Philips 50 cents to Fl 50.20 and Akzo 80 cents to Fl 125.30.

Banks were in demand, with NMB adding Fl 4.50 to Fl 208.50, ABN Fl 5 to Fl 500.0 and Amro 80 cents to Fl 85.80. Insurers were relatively slow although an underlying strength emerged.

Technical factors, including the imminent end of the September trading account, dampened activity in Paris and forced it against the trend in other centres.

Trading remained moderately active in Zurich with price movements generally small.

Banks were again firm with Credit Suisse up SwFr 15 to SwFr 3,055 and among regional banks, Hypo Aargau rose SwFr 140 to SwFr 1,670.

Stockholm continued to ease in response to the return of the Olof Palme Government with turnover again well down on recent levels.

The strength in trading in Milan flowed through trading again in the first session of the new month. Madrid was generally firm.

CANADA

THE DECLINE witnessed in Toronto during the past six trading sessions continued again yesterday with prices falling across the board.

Among actively traded issues, Toronto Dominion Bank eased C\$4 to C\$234, Seagram C\$4 to C\$54 and Canadian Pacific C\$4 to C\$164.

Royal Bank lost C\$4 to C\$304 after its debt rating was lowered by a Canadian agency.

In gold, Lac Minerals shed C\$3 to C\$334 and Echo Bay lost C\$4 to C\$17, while in the oil sector, Ranger was off 5 cents at C\$4.55 and Geocrude traded 5 cents lower at C\$3.45.

All principal stock sectors were easier in Montreal.

LONDON

Uncertainty over oil a depressant

INVESTMENT ACTIVITY was at a low ebb in London yesterday, reflecting continued concern about crude-oil price trends ahead of next month's full meeting of Opec oil ministers.

It was left to a steady stream of corporate trading statements to promote trade. Disappointing interim results from Fisons left it 10p lower at \$50p and the shock first-half profits setback reported by Coats Patons took it 17p easier at 137p.

Mirroring the quietly dull trend, the FT Ordinary share index touched its lowest level of 1,002.3 at 11am before closing 5 points off at 1,007.7.

Glits were becalmed. Chief price changes, Page 37; Details, Page 36 Share information service, Pages 34-35.

AUSTRALIA

UNCERTAINTY over the effects of new tax proposals to be presented by the Government this week combined with a drifting bullion price to leave Sydney weaker.

The All Ordinaries shaded 3.3 lower to 962.0 in moderate trading.

Mr Robert Holmes & Court's Bell Group, which announced a 62 per cent rise in profits for the year and a one-for-one free scrip issue, added 40 cents to A\$9.60. Bell Resources was also higher, adding 20 cents to A\$8.70. Rumours continue to circulate over Mr Holmes & Court's intention to purchase at least a 30 per cent stake in BHP.

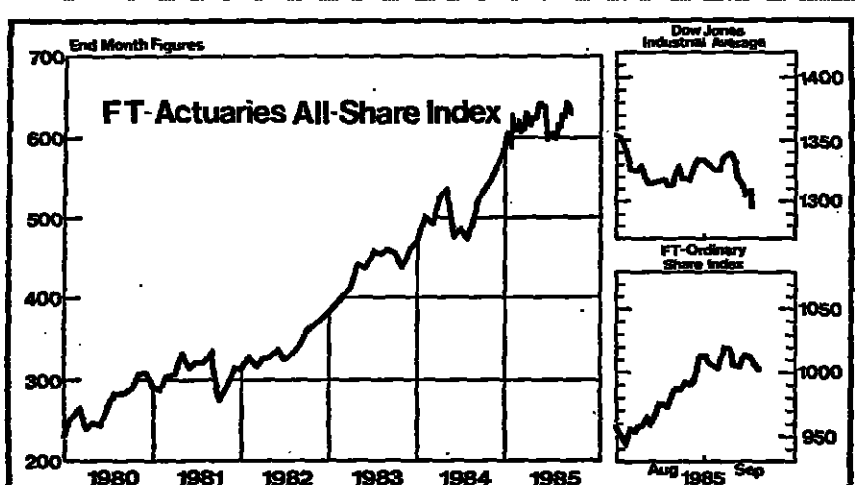
SOUTH AFRICA

DESPITE a lower world bullion price, gold ended mostly firmer in Johannesburg on relatively light demand.

Consolidated Gold Fields, which announced in London higher pre-tax profits for the year, said lower earnings from its South African gold-mining interests reflected a lower price for gold. Gold Fields SA ended unchanged at R20.50.

Western Deep ended R1.25 firmer at R38.25 while Kloof added 60 cents to R31 and Beatrix 15 cents to R7.25.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Sept 17	Previous	Year ago
NEW YORK			
DJ Industrials	1,298.22	1,308.14	1,287.08
DJ Transport	644.08	659.53	625.02
DJ Utilities	152.95	158.57	132.75
S&P Composite	180.83	182.88	168.87

	Sept 17	Previous	Year ago
LONDON			
FT Ind	1,002.7	1,007.7	858.0
FT-SE 100	1,296.0	1,300.2	1,110.5
FT-A All-share	629.43	631.41	524.12
FT-A 500	690.91	693.97	570.74
FT Gold mines	315.4	317.4	514.5
FT-A Long grt	10.38	10.41	10.50

	Sept 17	Previous	Year ago
TOKYO			
Nikkei-Dow	12,591.51	12,585.70	10,638.40
Tokyo SE	1,003.20	1,008.30	821.16

	Sept 17	Previous	Year ago
AUSTRALIA			
All Ord.	962.0	963.3	729.4
Metals & Mins.	524.3	529.1	432.4

	Sept 17	Previous	Year ago
AUSTRIA			
Credit Adion	100.30	100.25	54.34

	Sept 17	Previous	Year ago
BELGIUM			
Belgian SE	2,456.39	2,432.74	-

	Sept 17	Previous	Year ago
CANADA			
Toronto			
Metals & Mins	1,913.5	1,946.2	2,001.0
Composite	2,665.1	2,698.1	2,398.3
Montreal			
Portfolio	129.84	131.85	118.81

	Sept 17	Previous	Year ago
GERMANY			
SE	216.59	216.76	176.46

	Sept 17	Previous	Year ago
FRANCE			
CAC Gen	217.8	218.8	174.8
Ind. Tendence	128.3	128.7	113.7

	Sept 17	Previous	Year ago
WEST GERMANY			
FAZ-Aiden	519.74	515.48	368.52
Commerzbank	1,534.0	1,518.4	1,032.1

	Sept 17	Previous	Year ago
HONG KONG			
Hang Seng	1,589.40	1,600.23	963.52

	Sept 17	Previous	Year ago
ITALY			
Banca Com.	399.85	392.39	210.12

	Sept 17	Previous	Year ago
NETHERLANDS			
ANP-CSS Gen	220.0	219.3	172.1
ANP-CSS Ind	192.0	191.8	134.5

	Sept 17	Previous	Year ago
NORWAY			
Osto SE	364.88	364.17	263.94

	Sept 17	Previous	Year ago
SINGAPORE			
Straits Times	757.80	754.28	901.86

	Sept 17	Previous	Year ago
SOUTH AFRICA			
JSE Golds	-	1,024.2	895.5
JSE Industrials	-	948.1	798.2

	Sept 17	Previous	Year ago
SPAIN			
Madrid SE	109.45	109.68	146.81

	Sept 17	Previous	Year ago
SWEDEN			
J & P	1,374.21	1,376.64	1,466.72

	Sept 17	Previous	Year ago
SWITZERLAND			
Swiss Bank Ind	493.8	494.7	377.5

	Sept 17	Previous	Year ago
WORLD			
Capital Int'l	212.8	213.0	184.8

GOLD (per ounce)

	Sept 17	Previous	Year ago
London	\$318.00	\$320.00	\$320.00
Zurich	\$317.45	\$319.55	\$319.55
Paris (fobing)	\$319.20	\$318.90	\$318.90
Luxembourg	\$318.75	\$319.00	\$319.00
New York (Dec)	\$321.50	\$324.50	\$324.50

* Latest available figure

CURRENCIES

	Sept 17	Previous	Sept 17	Previous
(London)				
\$	-	-	1.3395	1.343
DM	2.892	2.884	3.875	3.8725
Yen	241.65	241.35	323.75	324.0
FFr	8.81	8.7875	11.8	11.8
SwFr	2.38	2.382	3.1875	3.2
Goldfr	3.2525	3.254	4.3575	4.37
Lira	1,929.0	1,942.0	2,584.0	2,608.0
Bfr	58.25	58.15	78.0	78.1
CS	1.3785	1.37475	1.8425	1.8448

INTEREST RATES

	Sept 17	Prev
Rate-currencies		
3-month offered rate		
\$	11%	11%
SwFr	4%	4%
DM	4%	4%
FFr	10	10%

	Sept 17	Prev
FT London interbank fixing		
3-month U.S.	8%	8%
6-month U.S.	8%	8%
U.S. Fed Funds	7 1/2%	7.50
U.S. 3-month T-bills	7.18	7.18

SwFr	4%	4%
Dfl	4%	4%
Ffr	10	10%
FT London interbank fixing		